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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	
	:	**CHAPTER 11**
SEARS HOLDINGS CORPORATION, *et al.*,	:	
	:	**Case No. 18-23538 (RDD)**
	:	
Debtors.	:	**(Jointly Administered)**

DECLARATION OF MOHSIN Y. MEGHJI

I, Mohsin Meghji, make this declaration under 28 U.S.C. § 1746:

1. I submit this declaration ("**Declaration**") in support of the Debtors' *Motion for Entry of an Order (I) Approving the Asset Purchase Agreement among Sellers and Buyer, (II) Authorizing the Sale of Certain of the Debtors' Assets Free and Clear of Liens, Claims, Interests and Encumbrances, (III) Authorizing the Assumption and Assignment of Certain Executory Contracts and Leases in Connection therewith and (IV) Granting Related Relief*, filed with the Bankruptcy Court on February 1, 2019 (ECF No. [●]) ("**Revised Proposed Sale Order**").[1]

[1] Capitalized terms used in this Declaration but not otherwise defined have the meanings given to them in the Proposed Sale Order.

2. I am the Chief Restructuring Officer ("**CRO**") of Sears Holdings Corporation and its affiliated debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "**Debtors**" and, together with their non-debtor affiliates, the "**Company**" or "**Sears**").[2] I am also the Managing Partner of M-III Advisory Partners, LP ("**M-III**"). In October 2018, Sears retained M-III to provide the Debtors with a CRO and to provide the Debtors and their other professionals with financial advisory services in connection with the Company's evaluation and development of strategic alternatives to wind-down and liquidation.

3. In or around November 2018, the Debtors, with the assistance of Lazard Frères & Co. ("**Lazard**"), Weil, Gotshal & Manges LLP ("**Weil**"), and M-III, commenced a multi-staged process whose purpose was to effectuate a going-concern transaction for all or substantially all of the Debtors' assets and operations (the "**Sale Process**"). At an auction of the Debtors' assets held at Weil's New York offices on January 14 through January 17, 2019 (the "**Auction**"), ESL Investments, Inc. ("**ESL**") submitted a bid to purchase substantially all of the Debtors' assets, including the go-forward retail footprint and other assets and component businesses of the

[2] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); SHC Licensed Business LLC (3718); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); Sears, Roebuck de Puerto Rico, Inc. (3626); SYW Relay LLC (1870); Wally Labs LLC (None); SHC Promotions LLC (9626); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); Sears Brands Management Corporation (5365); and SRe Holding Corporation (4816). The location of the Debtors' corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.

Company, as a going concern pursuant to Section 363 of the Bankruptcy Code (the "**ESL Bid**"). After extensive negotiations, the Debtors, in consultation with their advisors, determined that the ESL Bid was the highest or otherwise best bid. Subsequently, the Debtors entered into an Asset Purchase Agreement with ESL, memorializing the terms of its successful bid (the "**APA**"). The APA sets forth the key terms of the sale transaction between ESL and the Debtors. That transaction is scheduled to close on February 8, 2019 (the "**Closing Date**").

4. Except as otherwise indicated, all statements in this Declaration are based upon my personal knowledge of the Debtors' operations and finances gleaned during the course of my engagement with the Debtors; my discussions with the Debtors' senior management, other members of the M-III team, and the Debtors' other advisors; my review of relevant documents; and my views based upon my experience. If called to testify, I would testify competently to each of the facts set forth in this Declaration. I am authorized to submit this Declaration on behalf of M-III for the Debtors.

I. Qualifications and Background

5. As CRO, I provide strategic business advice to the Restructuring Committee of the Company's Board of Directors in connection with the Debtors' chapter 11 cases. Further, I am responsible for carrying out the Debtors' chapter 11 strategy and objectives. I am knowledgeable about and familiar with the Debtors' day-to-day operations, business and financial affairs, books and records, and the circumstances leading to the commencement of these chapter 11 cases. I have more than 25 years of financial restructuring, interim management, turnaround, and management consulting experience across a wide variety of industries, including but not limited to the retail and real-estate industries.

II. The Company and ESL Business Plans

A. The Company Business Plan

6. In connection with my engagement as the Debtors' CRO, I worked with members of the Company's Office of the CEO—Greg Ladley, Leena Munjal, and Robert Riecker—and others to build a bottoms-up business plan (the "**Company Business Plan**"), starting with store-by-store projections and business-by-business projections.[3] Mr. Ladley joined the Company sometime in October or November 2017 after spending twenty-seven years at Ralph Lauren in a senior capacity, and Ms. Munjal, who had been at the Company in different roles for some time, stepped into her role as the Company's Chief Digital Officer in January 2018. Mr. Riecker is the Company's Chief Financial Officer. We developed the Company Business Plan in order to better understand the viability of the Company's business on a going-forward basis and also to provide prospective purchasers of the Company's assets and operations with an understanding of the Company's potential to operate as a going concern. In preparing the plan, I worked diligently and collaboratively with management to, among other things, derive reasonable assumptions upon which projections of various aspects of the Company's going forward business—liquidity and profit margin, for example—would be based. Those assumptions were based upon knowledge of and experience in the retail industry held by management, myself, and other members of my team at M-III as well as a thorough review and analysis of Company-related data, including but not limited to same-store sales growth comparisons.

7. The Company Business Plan demonstrates that the Company does, indeed, have a reasonable probability of operating as a going concern upon emerging from chapter 11 bankruptcy. M-III generated, for example, a projection of the new company's financial performance in the

[3] *See generally* Sears Holdings Corporation Preliminary Business Plan dated December 2018 (UCC_SEARS0000010), attached to this declaration as **Exhibit A** ("**Ex. A**").

twelve months following emergence from chapter 11 (the "**Company Financial Performance Projection**").[4] The Company Financial Performance Projection assumes (a) same-store sales growth for 2019 of -2.4% and (b) gross margin improvement for 2019 of 220 bps. In my opinion and based upon my experience, these assumptions were reasonable, as were the conclusions that followed from them—namely, that the new company would be liquid for at least the twelve months after emergence from chapter 11, and likely longer.

8. As CRO, I was very focused on establishing that the Company had a credible path forward out of bankruptcy. I spent a substantial amount of time poring over the Company's sales and other related data, including the Company's history of same-store sales comps. I observed that, in August and September 2018, the Company's same-store sales numbers were healthier than they had been in the preceding months, and I sought to understand why. As the Company's Chief Digital Officer, Ms. Munjal has worked to improve online and overall sales. Her efforts have been centered on driving sales and marketing, among other things. Ms. Munjal and Mr. Ladley implemented some changes concerning how the Shop Your Way program operated and took a new approach to the soft-line business for apparel. The two began to apply a combination of points offerings along with pricing adjustments and began conducting experiments, so to speak, to determine which of their initiatives would positively impact performance.

9. Ms. Munjal and Mr. Ladley initiated these new strategies in January or February 2018. They expanded them to the brick-and-mortar apparel business over the course of time. They then applied them to the hard-line businesses and got additional contribution from Citi, the Company's credit-card partner, to fund some of these changes. From there, Ms. Munjal and Mr. Ladley implemented some changes around supply and logistics issues. Finally, in July and August

[4] *Id.* at 8.

2018, they layered in some traditional television and other modes of advertising, and the combination of these efforts really started to improve the outlook for same-store sales comps.

10. I spent a good deal of time with Ms. Munjal, Mr. Ladley, and others discussing the changes the two had implemented. Their efforts bore a lot of fruit—more than anything I had seen in the prior couple of years of my involvement with the Company. In August and September 2018, for example, the Company's same-store sales results were -2.0% and 0.0%, respectively.[5] The Company Business Plan's projection that it would achieve -2.4% same-store sales growth for 2019 was based, in part, on these recent results reflecting the Company's implementation of Mr. Ladley's and Ms. Munjal's Shop Your Way and other sales and marketing initiatives. That projection was also based—quite reasonably, in my view—upon the fact that a Sears emerging from bankruptcy would not be a Sears descending into bankruptcy. For many years, the Company had been cloaked in a shroud of negative media attention. Emerging from bankruptcy, the new company would enjoy increased consumer confidence, a healthier capital structure, and myriad opportunities to both continue and expand upon the good work that Ms. Munjal and Mr. Ladley had begun in the pre-petition period. Accordingly, I was more than satisfied that the Company could continue to improve the outlook for same-store sales comps and other measures of corporate success.

B. The ESL Business Plan

11. I have also become familiar with the proposed business plan for NewCo prepared by ESL (the "**ESL Business Plan**").[6] I reviewed and analyzed the ESL Business Plan—which, as I understand it, is based upon the Company Business Plan—in my capacity as CRO and financial

[5] *Id.* at 11.

[6] *See generally* Project Transform – Business Plan dated January 2019 (SEARS_UCC00280135), attached to this declaration as **Exhibit B** ("**Ex. B**").

advisor to the Debtors in order to better understand NewCo's liquidity picture and viability as a going concern. Like the Company Business Plan, the ESL Business Plan demonstrates that the Company has a reasonable probability of operating as a going concern upon emerging from chapter 11 bankruptcy. ESL generated a projection of NewCo's financial performance in the twelve months following emergence from chapter 11 (the "**ESL Liquidity Analysis**").[7] The ESL Liquidity Analysis assumes (a) same-store sales growth for 2019 of -1.0%; (b) gross margin improvement for 2019 of 125 bps; and (c) days payable outstanding ("**DPO**") of 32 days by July 2019, remaining constant for the rest of 2019.[8] In my opinion and based upon my experience and discussions with Sears management, these assumptions and the conclusions that flow from them are reasonable for the same reasons as those discussed at length above: new and effective sales and marketing initiatives, increased consumer confidence, healthier capital structure, and others. ESL's DPO assumption, specifically, is reasonable given that, according to data provided by the Company's inventory team, in 2018 the Company's mean and median vendor terms were 42 and 34 days, respectively.

III. <u>M-III's Financial and Solvency Analyses</u>

12. In late November/early December, in connection with its role as financial advisor to the Debtors and in consultation with Lazard, Weil, and the Company's other professionals, M-III developed a wind-down and liquidation analysis (the "**Wind-Down Analysis**") that assessed the potential value of the Debtors' assets and any amounts the Debtors' creditors would recover on their claims in the context of an assumed orderly wind-down and liquidation.[9] M-III also

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[7] *See generally See* Project Transform Liquidity Analysis dated January 23, 2019 (UCC Ex. 7), attached to this declaration as **<u>Exhibit C</u>**, ("**<u>Ex. C</u>**").

[8] *Id.* at 2-3.

[9] *See generally* Sears Holdings Corporation Wind-Down Recoveries dated January 14, 2019 (UCC_SEARS0002236), attached to this declaration as **<u>Exhibit D</u>** ("**<u>Ex. D</u>**").

compared that value and those recoveries to the value and creditor recoveries implied in the context of the sale transaction contemplated by the ESL Bid (the "**Variance Analysis**").[10] Finally, M-III evaluated the Debtors' ability to satisfy any and all administrative and other priority claims up to and until the Closing Date (the "**Administrative Solvency Analysis**") (collectively, the "**Analyses**").

13. In preparing these detailed Analyses, M-III drew upon my decades-long restructuring experience across a wide variety of industries, including but not limited to the retail and real-estate industries and, specifically, with retailers like Toys 'R Us, Shopko, and Full Beauty Brands, whose Boards I have served or currently serve on. M-III also reviewed and analyzed vast quantities of relevant data, including but not limited to data derived from (1) the going-out-of-business ("**GOB**") sales of approximately 750 Sears stores and their inventory in the past three years; (2) the recent wind-down and full-chain liquidation of Toys 'R Us; (3) bids to purchase components of the Debtors' assets and operations received in connection with the Sale Process; (4) bids to liquidate the Debtors' assets and operations received in connection with the Sale Process; (5) the Company's detailed payroll, benefits, merchandise, tax, and other business records; and (6) guidance and input from Lazard and Weil. Finally, M-III reviewed and analyzed appraisals of approximately 400 of the Debtors' real-estate assets, commissioned by the Debtors in an effort to quantify the liquidity those assets would generate in the context of an orderly wind-down and liquidation. In my opinion and based upon my experience, M-III's Analyses are reasonable and reliable projections.

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[10] *See* Sears Holdings Corporation Discussion Materials: Wind-Down/ESL Bid dated January 12, 2019 (SEARS_UCC00365984) at 7, attached to this declaration as **Exhibit E** ("**Ex. E**").

IV. The Wind-Down Analysis

A. Assumptions

14. M-III calculated wind-down recoveries based upon a twelve-month orderly wind-down and liquidation beginning January 14, 2019, the date of the Auction. The preliminary wind-down budget assumed that all assets, including general merchandise inventory and real estate, would be liquidated in place. The budget further assumed that self-supporting business units, such as Parts Direct, Sears Auto Centers, and Sears Home Services, would be sold as going concerns pursuant to Section 363 of the Bankruptcy Code.

15. M-III assumed that, as of January 14, 2019, the Debtors would (1) commence liquidation of all remaining inventory in the Debtors' stores and distribution centers (with final GOB sales beginning on January 21, 2019); (2) reject all remaining store and distribution-center leases, other than valuable leases, which would be monetized; (3) reject all remaining non-essential contracts; (4) reduce management and staff to the minimum necessary to liquidate the collateral and perform transition services; and (5) sell or monetize all remaining encumbered and unencumbered assets.

16. Substantial funding for the wind-down would be provided by (1) the gross proceeds from GOB sales of merchandise inventory; (2) proceeds from the sale of previously unencumbered assets, applied in the following order: (a) $240 million to fund the wind-down reserve, (b) repayment of the Junior DIP in full, and (c) to pay remaining claims in the order of their priority; (3) the imposition of a 4% charge on encumbered assets sold throughout the case, with the exception of the first lien and prepetition ABL collateral and Junior DIP collateral due to Section 506(c) waivers granted to these lenders in their capacity as DIP lenders; and (4) any proceeds above lien value realized from sales of encumbered collateral.

B. Repayment Priority Waterfall for Wind-Down Recoveries

17. Based upon its discussions with Weil, M-III deducted costs related to the liquidation of merchandise inventory—for example, store operating expenses during liquidation, severance claims, merchandise accounts payable, logistics expenses, and home-office support expenses—from gross inventory values. The payment of these administrative claims, necessary and related to the orderly wind-down process, would provide them with a recovery that was, in effect, senior to other claims, including but not limited to those claims arising under the First Lien Asset-Based Loan ("**ABL**"), the Junior Debtor-in-Possession ("**DIP**") loan, and Section 507(b) of the Bankruptcy Code.

18. M-III then applied the net proceeds of the liquidation of merchandise inventory to repay claims arising under the Senior DIP loan, First Lien ABL, FILO Facility, and Citi LC Facility. The net proceeds of sales of previously unencumbered assets, other non-merchandise assets, and charges collected under Section 506(c) of the Bankruptcy Code were applied in the following order of priority: (1) the carve-out for professional fees as provided in the DIP loans and related orders; (2) the wind-down reserve (up to $240 million); (3) the Senior DIP (to the extent the merchandise collateral would be insufficient to provide a repayment in full); (4) the Junior DIP; (5) super-priority administrative claims arising under Section 507(b); (6) administrative claims not otherwise paid from the operating budget related to the liquidation or the wind-down reserve; (7) unsecured claims on a priority basis; and (8) general unsecured claims.

C. Key Assumptions in Wind-Down Recoveries: Generally

19. M-III made a number of key assumptions in connection with its preparation of the wind-down recoveries. By way of example only:

- with respect to operating receipts, M-III assumed that GOB sales would run at a net negative margin resulting in a 90% net orderly liquidation value ("**NOLV**");

- with respect to operating disbursements, M-III assumed merchandise vendors to supply cash-in-advance terms with a four-day average shipping time in the period leading up to the wind-down and further assumed that outstanding merchandise would be paid down during the post-petition period;

- with respect to selling, general, and administrative ("**SG&A**") disbursements, M-III assumed an immediate reduction-in-force ("**RIF**") of non-core, non-key personnel beginning January 15, 2019, with sixty days of WARN Act liability to follow;

- with respect to the Junior DIP, M-III assumed a starting balance of $175 million to reflect a $75 million balance as of January 5, 2019 plus a $100 million draw on January 10, 2019; and

- M-III assumed, in consultation with Lazard, the following unencumbered asset values in a wind-down or liquidation scenario based upon the highest indications of interest ("**IOIs**") received during the Sale Process:

    - credit-card tort claims - $35 million,
    - unencumbered receivables - $63 million,
    - Sears Home Improvement - $45 million,
    - Sears Parts Direct - $60 million, and
    - Sears Service Contracts - $80 million.

20. These and M-III's other key assumptions were reasonable given the Company's history and present circumstances as well as the fact that the Company was anticipating a full-chain liquidation, which necessarily impacts what a company can expect to recover (or spend) in connection with a wind-down. And, as discussed above, the assumptions were developed in the course of a thorough review and analysis of large quantities of relevant data.

D. Key Assumptions in Wind-Down Recoveries: Unencumbered Real-Estate Values

21. One of M-III's roles as financial advisors to the Debtors was to advise the Restructuring Committee concerning the liquidation proceeds the Debtors' estates could expect to recover from the sale of the Debtors' unencumbered real-estate assets in connection with an orderly wind-down and liquidation. M-III did not purport to provide the Restructuring Committee with a

valuation of those unencumbered real-estate assets; rather, it provided what it believed was a reasonable estimate of the amount of liquidation proceeds—specifically, $561 million, net of $35 million transaction costs—that the Debtors' estates could expect to recover from the sale of the Debtors' unencumbered real-estate assets of which a material portion (approximately 64%) would be recovered from the sale or assignment of the Debtor's lease portfolio by May 13, 2019, the Debtors' deadline to accept or reject leases (the "**Outside Lease Rejection Date**"). The balance would be from the sale of fee-owned real estate over the course of 2019.

22. In arriving at that amount, M-III considered (1) buyer IOIs received in the course of the Debtors' real-estate marketing and sales process (the "**Real-Estate Sales Process**"), undertaken in connection with and parallel to the Sales Process; (2) twenty-four property appraisals performed by Jones Lang LaSalle IP, Inc. ("**JLL**") in November 2018; (3) twenty-five broker opinions of value performed by A&G Realty Partners, LLC ("**A&G**") in October 2018; (4) approximately 400 appraisals performed by JLL in December 2018 and January 2019; and (5) the results of the 2018 lease auction and sale in the Toys 'R Us wind-down and liquidation.

i. The Real-Estate Sales Process

23. The Real-Estate Sales Process was launched in the last week of November 2018 pursuant to the Global Bidding Procedures Process Letter filed with the Bankruptcy Court on November 21, 2018 (the "**Lazard Process Letter**"). The Lazard Process Letter referenced a list of 505 "go-forward" stores; the Debtors, in consultation with the Restructuring Committee, had decided to market the stores that would comprise the primary real-estate assets of the business that was being offered for sale (the "**Go-Forward Stores**"). The Debtors made a list of the Go-Forward Stores publicly available and posted the list to Prime Clerk.

24. The Lazard Process Letter identified JLL as the Company's real-estate advisor and indicated that JLL would distribute a separate correspondence in the near future further describing

the Real-Estate Sales Process (the "**JLL Process Letter**"). JLL distributed the JLL Process Letter on or about December 3, 2018. The letter further described the Real-Estate Sales Process, the due date for IOIs (December 28, 2018), who to contact at JLL, and where and how to get additional information concerning the process. JLL included an expanded list of the real-estate assets being offered—all of the Company's real estate rather than just the Go-Forward Stores—in a separate filing at Prime Clerk. The Debtors and their advisors, including JLL, had decided to expand the list of real-estate assets offered by the Company in order to make the Real-Estate Sales Process more complete. JLL advised any interested party who inquired that all of the Debtors' real estate and leases were being offered for sale, not just the 505 Go-Forward Stores.

25. On December 6, 2018, M-III sent JLL an updated list of real estate to provide to interested parties who executed non-disclosure agreements ("**NDAs**"). The additional information included square footage, lease termination dates, and information on the status of each store or property listed (open, closed, or GOB). Interested parties could obtain additional information in the Intralinks data room.

26. JLL and the Company utilized Intralinks as its virtual data-room site for the Real-Estate Sales Process. The Debtors and their advisors, including JLL, populated the Intralinks site with relevant information on the properties being offered, and the site was then made available to interested parties on or about December 7, 2018. Information uploaded to Intralinks included leases, title documentation where available, site plans where available, and property tax and common-area maintenance ("**CAM**") data. Parties who requested data room access were required to execute an NDA and provide a list of individuals seeking access. JLL and M-III administered the Intralinks data room and provided access to interested parties once approved.

27. JLL contacted 842 entities ("**Prospective Bidder Contacts**") for both core and non-core properties. In connection with this effort, JLL distributed a master list of the properties being offered for sale to these 842 Prospective Bidder Contacts. 495 of the 842 Prospective Bidder Contacts executed NDAs; JLL and M-III provided them with access to the data room.

28. Three of the primary groups of parties that gained access to the data room were landlords, retailers, and consolidators of retail properties. In my opinion based upon my knowledge and experience, JLL targeted the appropriate groups. Many Prospective Bidder Contacts accessed the data room and the materials therein concerning the Company's real estate assets. Furthermore, a substantial percentage of the real estate offered for sale was in the form of leases. As a general matter, in my opinion, leases are primarily of interest to landlords, end users (retailers for most of the Debtors' properties), and consolidators. Accordingly, the list of people and firms who were interested in purchasing the Company's real estate would be more limited than in a typical real-estate offering.

29. The advisory team engaged by the Debtors manages JLL's Disposition Services Group. This unit focuses exclusively on the sale of retail properties, including but not limited to big-box stores for national retailers. The unit's past assignments include the sale of approximately 200 stores for Walmart. The unit's marketing strategies included direct outreach to potential buyers, as well as working with and through JLL's nationwide brokerage network. JLL utilized both of these approaches in their marketing of the Company's real estate and was successful in bringing in a number of parties to the Company's data room.

30. In connection with the Real-Estate Sales Process, JLL undertook among the following internal and external outreach measures:

- JLL implemented an email campaign to national and regional retail companies, particularly users of big-box real estate, as well as to JLL brokers who covered this sector. In all, JLL

sent 464 separate emails, including to at least eighty large retail companies who regularly occupy big-box stores.

- On November 30, 2018, Naveen Jaggi, head of JLL's Retail Property Brokerage, sent an internal email to JLL senior leadership, industrial brokers (273 in this group), capital markets brokers (900 brokers and analysts), and retail property brokers (159) describing the assignment and the properties being offered.

- On December 6 and 11, 2018, Craig Meyer, head of JLL's Industrial Property brokerage group, sent emails to his team of 273 brokers discussing the properties being offered. This group would have focused on the Company's distribution centers and warehouses.

- On December 12, 2018, Jay Koster and Blake Lacher, the co-heads of Capital Markets, sent an email to the 900 brokers and analysts in their division discussing the properties being offered.

- On December 16, 2018, JLL enabled a "Real Capital Markets Property Marketing" website for approximately 129 non-core properties. This website covered properties which were separately chosen for sale in mid-November 2018.

- Individual JLL brokers conducted their own outreach and email campaigns in an effort to find buyers for the Debtors' properties.

- JLL representatives, including Naveen Jaggi, attended the December International Council of Shopping Centers conference in New York in early December 2018. JLL representatives discussed the Real-Estate Sales Process with potential investors/buyers at this conference.

- As mentioned above, the Disposition Services team also reached out to interested parties on multiple occasions to inform them of the Real-Estate Sales Process. This included the email blast sent to approximately 80 national retailing companies on or about December 19, 2018. As part of this email blast, JLL's retail brokerage team contacted and discussed the Company's real-estate offering with a number of representatives at these national retailing companies. My understanding is that the retailers contacted included Walmart, Target, Lowes, Home Depot, TJX, Kohl's, Dick's Sporting Goods, Raymour & Flanigan, and At Home Stores.

31. These efforts, taken together, represented a reasonable and robust marketing effort targeted at the parties who would have the greatest possible need for and interest in the types of stores and properties owned by Sears. A number of these parties signed NDAs and gained access to the data room. A number of them also submitted IOIs for various leases and real-estate assets.

32. JLL maintained a marketing report to log the calls and contacts with interested parties. JLL and M-III provided this report to the UCC's advisors in mid-December. The JLL call report was ultimately supplanted by an Excel "offer tracker" report prepared by JLL in late December. The offer tracker was provided to the UCC advisors so that they would have regular access to the offers submitted.

33. In terms of bids received, the Real-Estate Sales Process was successful by any reasonable measure. In aggregate, Prospective Bidder Contacts submitted 440 separate IOIs. The total value of these offers exceeded $1 billion when only the highest offer for assets were considered. Approximately $360 million of the IOIs were for unencumbered properties, many of which were for leases, and $640 million for encumbered properties, most of which are fee simple or ground leased assets. While the bids on some assets were low, some were reasonable and potentially actionable. To characterize all of the bids as low ball is misleading.

34. It is also misleading to consider all of the Company's real-estate assets (approximately 900 leases and 300 fee-owned properties as of December 2018) when measuring the number of offers received. M-III believes that approximately 500 of the Company's leases offered for sale had no value; accordingly, it should not be surprising that most of these did not receive an IOI. This is not a reflection on the adequacy or reasonableness of the Real-Estate Sales Process.

35. Finally, it is worth reiterating that leases, by their nature, are not as liquid as fee-owned real estate. The existence of a large number of lease contracts would have limited the number and the types of potential buyers and goes some way to explain why there may not have been as many IOIs for the Company's real-estate assets as one might see under typical circumstances.

36. These, however, were not typical circumstances. It is unprecedented for 400 big-box properties to be offered for sale in the real-estate market all at once. The odds of selling all such properties at high prices by the Outside Lease Rejection Date were low. The closest parallel in recent years was the wind-down and liquidation of Toys 'R Us. In my deposition I testified that it was my understanding that, when Toys 'R Us offered its leases for sale in the context of its full-chain liquidation, only 40% of the those leases were sold, and that they were sold for somewhere approaching 50% of the appraised values. Since my deposition, I have learned that only 35% of the company's leases sold at auction in 2018 and that the recovery rate on those leases was 44% (sales price to appraised dark value). And, in my opinion, the Toys 'R Us properties were generally more desirable and thus more marketable than those being offered by the Company because they were smaller than the Sears/K-mart big boxes.

ii. The Appraisals

37. In connection with the process to obtain DIP and Junior DIP financing, in late October 2018, M-III asked A&G to prepare broker opinions of the value of twenty-five of the Company's high-value leased properties (the "**A&G BOVs**"). These A&G BOVs formed the initial basis for prospective DIP lenders' collateral valuations.

38. A&G conducted its work in connection with the A&G BOVs in the last week of October and into the first ten days of November and ultimately presented the Company and M-III with a spreadsheet containing valuation data as well as a summary memorandum concerning the ten largest properties valued. In conducting the A&G BOVs, A&G made a determination of what each lease might be worth were it to be terminated or assigned to the landlord. The property owner could then re-lease the space at market rents and create value via the rent increase. The Company and M-III shared this data with prospective DIP and Junior DIP lenders and the UCC (through an electronic data room maintained by Lazard).

39. To provide prospective Junior lenders with a more robust, appraised collateral pool, in the first week of November, the Company and M-III determined that the Company should augment the A&G BOVs with additional appraisals of some of its real-estate assets. This was done because the Debtors were interested in obtaining appraisals from a nationally recognized group to assess the value of some of their more valuable leases and fee-owned properties. The Debtors, with assistance from M-III, prepared a list of twenty-five predominantly, but not exclusively, leased properties and provided that list to JLL so that it could begin the appraisal process. JLL performed appraisals on twenty-four properties (the "**JLL 2018 Appraisals**").[11] In conducting the JLL 2018 Appraisals, JLL made a determination of what each fee-owned property would be worth were it to be sold as a standalone property outside the context of a wind-down or liquidation or what each lease would be worth if subleased at market rental rates.

40. During the week of November 19, 2018, the Debtors and their advisors had a number of calls concerning the Sales Process. The Debtors and their advisors determined that obtaining appraisals on the Go-Forward Stores would help inform the Sales Process, including by allowing the Debtors to compare the value of one bid or IOI to another and to compare the value of the Company's individual primary assets to a proposal to acquire substantially all of the Company's assets as a going concern. The Debtors and their advisors decided that they did not need to commission appraisals of the twenty-four already appraised stores, and they did not need to commission an appraisal of the Seritage properties. The Debtors ultimately requested, in December, that JLL provide appraisals for approximately 400 of the Go-Forward Stores. JLL provided those appraisals to the Debtors and to M-III in January 2019 (the "**JLL 2019**

[11] One of the twenty-five properties (located in Puerto Rico) was determined to be encumbered; accordingly, JLL did not ultimately complete the appraisal and did not assign a value to that property. The Debtors' objective was to value unencumbered properties.

Appraisals”). In conducting the JLL 2019 Appraisals, JLL’s central focus was to determine the value of the unencumbered properties and leases on an unoccupied or “dark” basis in the context of a wind-down and liquidation.

41. M-III reviewed and analyzed (1) the IOIs received in the course of the Real-Estate Sales Process; (2) the twenty-five A&G BOVs; (3) the twenty-four JLL 2018 Appraisals; (4) the approximately 400 JLL 2019 Appraisals; and (5) the results of the 2018 auction and sale of leases in the Toys ‘R Us wind-down and liquidation in order to estimate the amount of cash the Debtor could raise from the liquidation of its unencumbered real-estate assets including its leases by the Outside Lease Rejection Date.

iii. M-III’s Calculation of Likely Liquidation Proceeds

42. M-III estimated that the Debtors would recover $561 million, net of transaction costs, from the liquidation of the Debtors’ unencumbered real-estate assets in context of a wind-down and liquidation. M-III arrived at an estimate of the liquidation proceeds for the Debtors’ leases by discounting and averaging (1) IOIs, (2) A&G BOVs, and (3) the JLL 2018 Appraisals. M-III also included the undiscounted liquidation value contained in the JLL 2019 Appraisals in the averages it calculated to estimate liquidation proceeds for each asset. The discount rate applied to IOIs, A&G BOVs, and JLL 2018 Appraisals was 50%.

43. M-III applied a 50% discount to the A&G BOVs and JLL 2018 Appraisals because those BOVs and Appraisals assessed market value, not liquidation value. As discussed above, they sought to determine what each lease would be worth were it terminated or assigned to the property owner or re-leased at market rental rates or what each fee-owned property would be worth were it sold as a standalone property outside the context of a wind-down or liquidation. The JLL 2018 Appraisals also assumed the leases would be sold in a normal market and in a normal manner, not on an accelerated basis in a full-chain liquidation scenario.

44. M-III used discounted IOIs in its calculation to estimate liquidation proceeds because M-III viewed these prices as relevant data points. In general, there is limited information on lease sale prices and values, particularly in a large-scale liquidation scenario; M-III therefore included the discounted IOIs as one of a limited number of actual data points. M-III applied a 50% discount to the IOIs, as it had to the A&G BOVs and JLL 2018 Appraisals, because the IOIs were uncommitted and subject to further due diligence by prospective buyers.

45. M-III did not apply a discount to the JLL 2019 Appraisals but, rather, used the liquidation value determined by JLL. It is my understanding that, in connection with the JLL 2019 Appraisals, JLL discounted its determined market values to account for the distressed nature of the contemplated sale, as well as a lack of purchasers for hundreds of big-box stores flooding the market at one time. Because the JLL 2019 Appraisals were already discounted to determine the liquidation value, M-III did not further discount these amounts in its liquidation estimate modeling.

46. Finally, M-III employed the above described discounting methodology because it reasonably concluded that the Debtors would likely sell most of their leases at liquidation rather than market value because hundreds of leases would be offered for sale at the same time and sales would need to be completed on an accelerated basis by the Outside Lease Rejection Date. The view that high discounts to market values were appropriate is further informed by the results of the 2018 auction of Toys 'R Us leases. Based upon my understanding of those auctions, Toys 'R Us only sold 35% of the leases it offered for sale at three separate auctions in 2018 and the average recovery rate of the leases that did sell was 44% of the appraised dark value.

47. M-III arrived at the estimate of liquidation proceeds for the Debtors' leases as follows:

- Where there was a JLL 2018 Appraisal, an A&G BOV, and an IOI received in the course of the Real-Estate Sales Process for a subject property, M-III averaged the JLL 2018

Appraisal and the A&G BOV with the current high IOI and then applied 50% discount to that average. If there were two values, they were discounted and averaged. If there was one, it was discounted and utilized.

- Where there was a JLL 2019 Appraisal and an IOI received in the course of the Real-Estate Sales Process for a subject property, M-III averaged the JLL 2019 Appraisal with 50% of the current high IOI and 50% of the A&G BOV, to the extent it existed.
- Where there was only a JLL 2019 Appraisal for a subject property, M-III used that number as the liquidation proceeds for the property.
- For owned and non-core properties, M-III calculated the average of (1) the JLL 2018 Appraised Value, (2) the A&G BOV, and (3) the IOI. In many instances for owned and non-core properties, only one of these values existed. In such cases, the liquidation proceeds amount was based upon the one data point. The liquidation proceeds for owned and non-core properties was discounted by 17%, rather than 50%. This group was primarily owned rather than leased properties; accordingly, the sales would not be under pressure to be completed by the Outside Lease Rejection Date.

48. M-III then summed the estimated liquidation proceeds calculated for each of the subject properties; applied a 6% discount to account for transaction costs; and arrived at the total of $561 million in estimated liquidation proceeds. This estimate was ultimately incorporated into M-III's Wind-Down Analysis.[12]

49. In summary, M-III applied a discounting methodology that it concluded was reasonable based upon (a) its knowledge; (b) its experience; (c) its review and analysis of the data available to it, including but not limited to the IOIs received in connection with the Real-Estate Sales Process; and (d) the results of the 2018 auction and sale of leases in the Toys 'R Us bankruptcy. For these reasons, among others, it is my opinion that the method employed by M-III to estimate liquidation proceeds from the sale of the Debtors' real-estate assets was reasonable and that its resulting conclusion ($561 million estimated liquidation proceeds) was a reasonable estimate of the liquidation proceeds the Debtors could expect to recover from the sale of their unencumbered real-estate assets in context of a wind-down and liquidation

[12] **Ex. D** at 5.

E. Creditor Recoveries Under the Wind-Down Analysis

50. In consultation with Weil and Lazard, M-III prepared a creditor recovery matrix that illustrates how the Debtors would apply the liquidity generated in an orderly wind-down and liquidation, including that generated by the sale of the Debtors' real-estate assets, to the claims of the Debtors' creditors (the "**Wind-Down Recovery Matrix**").[13] The current iteration of the Wind-Down Recovery Matrix projects that, after repayment in a manner consistent with the priority waterfall described above, six of the Debtors' categories of secured creditors would recover 100% of their claims. Two other categories of secured creditors would recover substantially less than that (69% and 44%, respectively), and the remaining four categories of secured creditors would recover nothing. Holders of second-lien 507(b) claims would recover 41% of their claims, and the Debtors' general unsecured and other creditors would recover nothing.

51. The Debtors and their advisors shared the Wind-Down Analysis with the UCC on December 3, 2018, and continually shared updated versions of the analysis all the way up to and throughout the Auction. In addition, M-III had multiple "advisor-to-advisor" conversations and multiple in-person meetings with the UCC's financial advisors, walking them through the Debtors' Wind-Down Analysis step by step. In stark contrast, the UCC did not share its wind-down analysis until days before the Auction.

V. The Variance Analysis

52. M-III undertook, at the request of the Debtors and the Restructuring Committee, to develop a creditor recovery matrix that illustrated creditor recoveries in the context of a sale of substantially all of the Debtors' assets to ESL as a going concern (the "**ESL Recovery Matrix**"). The current iteration of the ESL Recovery Matrix illustrates that, in an ESL/going-concern

[13] *Id.* at 7.

scenario, seven of the Debtors' categories of secured creditors will recover 100% of their claims. Four other categories of secured creditors will recover less than that (60%, 41%, 41%, and 41%, respectively), and only one secured creditor will recover nothing. Notably, the ESL Recovery Matrix shows that general unsecured creditors will recover 1% of their claims.[14]

53. M-III's Variance Analysis sets these two recovery matrices side by side and shows, quite clearly, that the Debtors' secured and unsecured creditors will recover significantly more in the context of an ESL/going-concern scenario than in a wind-down/liquidation scenario.

VI. <u>The Administrative Solvency Analysis</u>

54. In addition to preparing the Wind-Down and Variance Analyses, M-III prepared an administrative and other priority claims schedule that estimated the Debtors' outstanding administrative claims, excluding budgeted GOB expenses, reflected in the net proceeds from GOB sales. That claims schedule, among other inputs, provided the basis for M-III's Administrative Solvency Analysis, which was reflected in discussion materials prepared by Lazard for the Restructuring Committee.[15] Administrative claims included but were not limited to Section 503(b)(9) claims, accounts payable, severance claims, employee claims, franchise taxes, and property taxes. As of January 16, 2019, those claims totaled $615 million. Other priority claims included, but were not limited to, the ABL DIP, the Junior DIP, professional fees, cure costs, transfer taxes, and mechanics' liens. As of January 16, 2019, those claims totaled $1.67 billion. In total, the Debtors' administrative and other priority claims totaled $2.281 billion.

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[14] The sale transaction, at its baseline, provides for 96% recovery on account of administrative claims. However, the Debtors reasonably believe that under the sale transaction all administrative claims will be paid in full and that the remaining 4% (or approximately $62 million) gap can be bridged with mitigating items such as outperformance of the DIP Budget, maintained inventory levels, and the like. Assuming such measures can bridge the gap, the Debtors believe the $35 million received as consideration for the credit-bid release will flow to general unsecured creditors. If the gap remains unfilled, the Debtors will utilize the $35 million to fill that gap rather than flowing through the waterfall to general unsecured creditors.

[15] *See generally* Project Blue Discussion Materials dated January 16, 2019 (RS_UCC_00002953), attached to this declaration as **<u>Exhibit F</u>** ("**<u>Ex. F</u>**").

55. According to the Administrative Solvency Analysis, ESL would satisfy $1.925 billion of that amount under the terms of the ESL APA. Less company cash available at close, a professional-fee carve out, various sale proceeds, insurance proceeds, and the SHIP security deposit, $62 million additional value would be required to close. The Debtors, in consultation with M-III, have identified a number of opportunities to recover that additional value.[16] Committed to the success of the ESL transaction—which, among other advantages, preserves a century-old department-store icon as well as tens of thousands of jobs—the Debtors are now diligently pursuing those opportunities. For example, the Debtors are (1) using critical vendor payments and accounts receivable credits to reduce Section 503(b)(9) liability; (2) managing down disputed payables and reducing non-essential spend; (3) actively managing operating disbursements and potential conservatism in the SG&A forecast, as well as receipt outperformance; (4) recovering cash in transit and in regional banks and stores; and (5) working to recover credit-card proceeds held back by credit-card processing company First Data on or shortly after the Debtors' petition date. In my opinion, based upon my long experience in the restructuring arena and my experience with the Debtors and their professionals, these efforts will succeed and the Debtors will be administratively solvent at closing.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and after reasonable inquiry.

[16] *See* Sears Holdings Corporation Transform Transaction – Weekly Tracking dated January 25, 2019 (Diaz Ex. 3) at 4, attached to this declaration as **Exhibit G** ("**Ex. G**").

Dated: February 1, 2019
New York, New York

By: /s/ Mohsin Y. Meghji
Mohsin Y. Meghji
Chief Restructuring Officer
Debtors and Debtors in Possession

EXHIBIT A

Preliminary Business Plan

DRAFT

Sears Holdings Corporation

December 2018

SEARS HOLDINGS

Table of Contents

I. The Network Benefit

[DRAFT – Subject to Review]

Sears Holdings is a retailer with an integrated network of businesses using its retail footprint to provide synergistic value to many businesses

KENMORE

Value – Significant amount of customers go to Sears specifically to purchase Kenmore products

Synergy – Drives store revenues and Protection Agreement sales at Sears Home Services

Growth – Expand existing and target new third-party distributors

SEARS HOME SERVICES

Value – Market leading repair, parts, installation and protection business

Synergy – Protection Agreement revenue driven by appliance sales at Sears locations

Growth – A re-organized and properly capitalized Sears could bring in partners to help drive growth

SHOPYOURWAY

Value – Provides robust rewards program for Sears network

Synergy – ShopYourWay activity and corresponding value is directly related to the store footprint

Growth – Grow existing and add new third-party ShopYourWay partners

sears®

NewCo 505 Brick and Mortar Footprint

INNOVEL

Value – One of a few logistics companies with cross-country, 2-day delivery and installation fulfillment capabilities

Synergy – Core part of Sears supply chain

Growth – Cultivate existing and target new 3rd party partners

E-COMMERCE BUSINESS

Value – Retailers require strong online presence in an era of ever-expanding technology

Synergy – Local store presence drives customers online and vice versa

Growth – Additional investments Driving growth via higher conversion and traffic

SEARS AUTO

Value – Leading brand in auto center repair industry

Synergy – Drives business at co-located Sears locations and DieHard economics

Growth – Open new detached locations and/or partner with 3rd party providers

FINANCIAL SERVICES

Value – Revenue share program with Citi

Synergy – Integration with ShopYourWay and size and store footprint drives economics

Growth – Add to existing product portfolio; scales with other business

REAL ESTATE

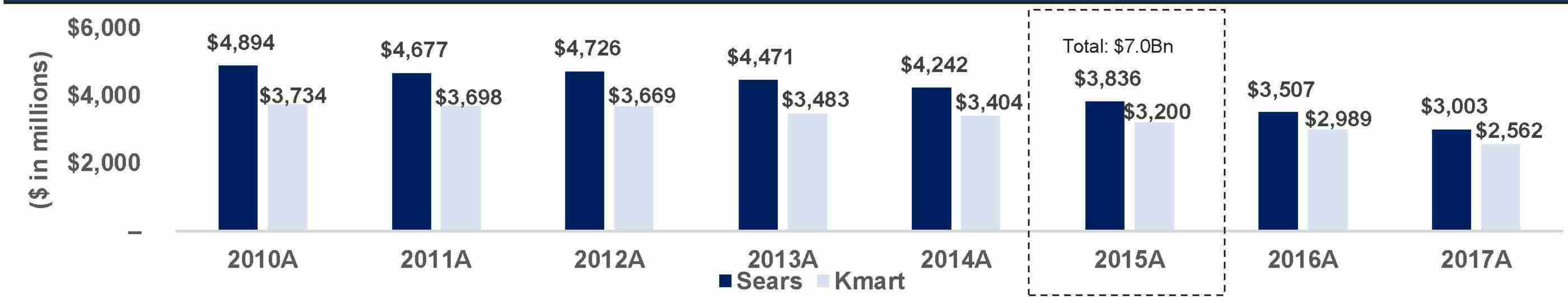
Value – Attractive assets and a diversified geographic footprint (located in all 50 states, as well as Puerto Rico and Guam), is key to an integrated retail solution

II. Financial Estimates and Projections

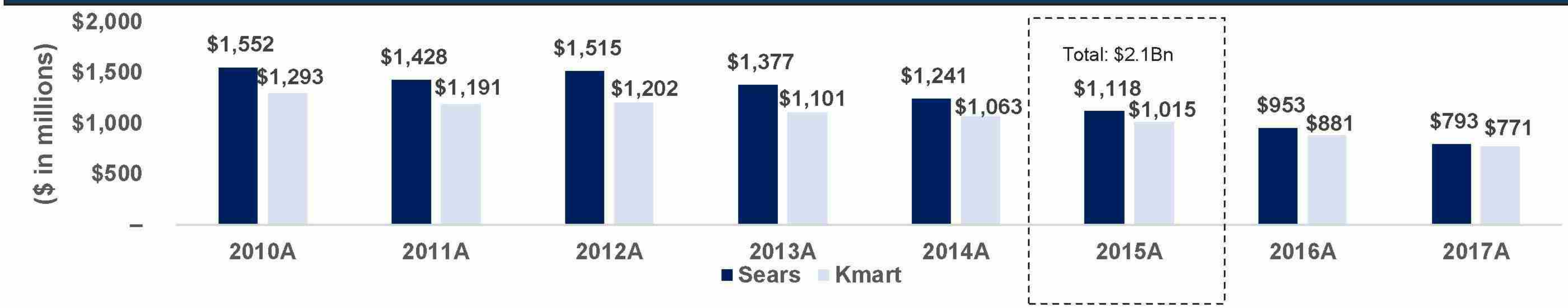
[DRAFT – Subject to Review]

The 505 stores in our go-forward plan delivered over $7BN of revenue and $338MM of store-level EBITDA in 2015(1)

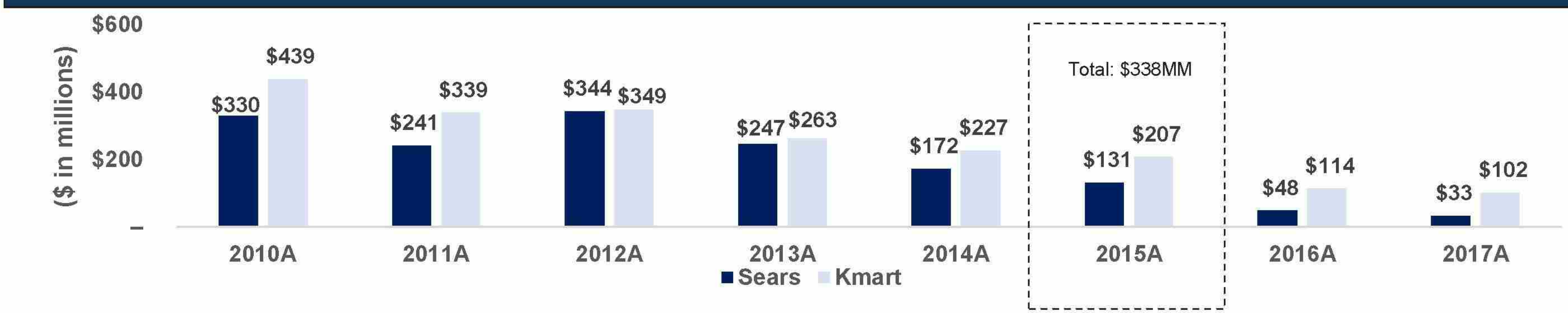
Historical Revenue



Historical Gross Margin



Historical EBITDA



(1) Sears and Kmart store 4-wall financials only; excludes Sears Auto Center, Online and ShopYourWay

Our business plan is driven by a robust, store-level financial model

Assumptions and Methodology by Business Unit

	Methodology	Assumptions
Retail (Brick & Mortar, Sears Auto Center, Online & ShopYourWay)	• Brick and Mortar: By store revenue and EBITDA build • Sears Auto Center: By store revenue and EBITDA build • Online: Growth off of historical performance • ShopYourWay ("SYW"): Based on percentage of sales realized historically	• Footprint reduced to 505 total stores (266 Sears & and 239 Kmart) • Forecast driven off LTM actual performance through October 2018 • Management operational initiatives drive improving same-store sales comps of: – 2019 FY: (2.4%) – 2020 FY: +2.7% – 2021 FY: +3.5% • Due to limited seasonal inventory purchasing in softlines, there may be downside risk to 1H19 same-store sales comps, but upside in 2H19 • Management initiatives also result in 250-300 bps of gross margin improvement in 2019 • Fixed operating expenses held flat in 2019; grown at 2% thereafter • Inventory by Kmart / FLS format per company management forecast; 5 day terms ramping to 60 day terms over 2.5 year period through 2021 • Online: 2019-2021 revenue growth of 5% per annum • ShopYourWay: ~1.9% of total online and retail sales (based on LTM actuals)
Home Services	• Underlying business segments forecasted based on key drivers; based on management team's detailed financial model	• SHIP sold to stalking horse buyer and is excluded from forecast • Protection agreement business continues to originate policies through new agreement with Assurant • Business segment initiatives (e.g. website rebuild, B2B refocus, etc.) will continue positive operating momentum
Other Businesses	• Financial Services based on percentage of sales realized historically • Kenmore driven by historical trends by sales channel	• Financial Services: ~1.7% of total FLS retail sales (based on LTM actuals) • Kenmore / DieHard: – Same store sales grown 5% per annum – Amazon growth based on management projections – No new third-party distributors • Monark: Same store sales grown 5% per annum
Overhead, SG&A and Supply Chain & Logistics	• Management forecast based on result of three week long review of costs at each business unit by Office of the CEO and M-III	• Home Office SG&A: Reduced from ~$850MM current run-rate to ~$420MM on a run-rate basis • Supply Chain & Logistics: 9 conveyable distribution centers reduced to 5 • Innovel: Third party revenue ramps from $73MM in 2018 to $500MM+ in 2021

[DRAFT – Subject to Review]

A smaller, balanced Sears and Kmart footprint delivers $329MM of retail EBITDA in 2019 (comprised of 505 stores, Sears Auto, Online, and ShopYourWay)

Business Overview

- Sears' Retail Business consists of its 266 Sears Stores, 239 Kmart Stores and their respective Online presences
- The business is broken into the primary categories below:
  - Hardlines: Home Appliances ("HA"), consumer electronics, tools, lawn & garden, outdoor living, sporting goods, mattresses, and Monark businesses
  - Softlines: Apparel, footwear, home, and jewelry businesses; these businesses sell an assortment of proprietary brands as well as third party retail options
  - Sears Auto Centers: Multi-channel automotive aftermarket service provider offering replacement tires, mechanical diagnostics and repair, vehicle maintenance products and services, batteries and battery-related accessories, as well as automotive accessories and chemicals for cars and light trucks
  - Grocery & Drugstore, Pharmacy, and Children's Entertainment & Seasonal: Grocery, household and pet supplies, beauty care, over-the-counter health & wellness, stationery, party supplies, children's entertainment products, seasonal merchandise, dispenses prescription drugs and performs clinical services

Revenue by Segment

FY 2019E Revenue: $6.3BN Revenue

FY2019 Forecasted Financials

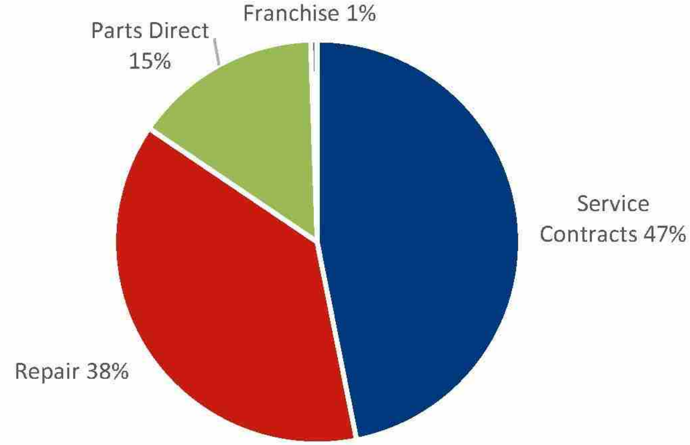
($ in MM)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY2019
Same Store Sales (% Change)	*(3.1%)*	*(3.3%)*	*(4.0%)*	*(3.8%)*	*(5.0%)*	*(4.6%)*	*(4.1%)*	*(4.9%)*	*(0.6%)*	*1.0%*	*1.1%*	*(0.3%)*	*(2.4%)*
Brick and Mortar Revenue	$323	$416	$331	$396	$477	$346	$362	$410	$337	$514	$732	$401	$5,045
Sears Auto Center Revenue	21	26	20	21	27	21	22	26	23	25	31	27	291
Online Revenue	62	75	59	74	93	57	68	80	34	80	83	62	826
ShopYourWay	6	12	7	8	11	7	8	10	6	8	17	8	108
Total Revenue	**$412**	**$530**	**$417**	**$499**	**$607**	**$431**	**$459**	**$526**	**$401**	**$627**	**$863**	**$498**	**$6,270**
(-) COGS	(294)	(370)	(276)	(342)	(424)	(294)	(334)	(377)	(273)	(451)	(599)	(370)	(4,402)
Gross Margin	**$118**	**$160**	**$141**	**$157**	**$183**	**$138**	**$125**	**$149**	**$128**	**$176**	**$264**	**$128**	**$1,868**
Margin (%)	*29%*	*30%*	*34%*	*32%*	*30%*	*32%*	*27%*	*28%*	*32%*	*28%*	*31%*	*26%*	*30%*
(-) Operating Expenses	($118)	($131)	($110)	($118)	($134)	($117)	($118)	($132)	($119)	($139)	($162)	($140)	($1,539)
Retail EBITDA	**$0**	**$29**	**$30**	**$39**	**$48**	**$21**	**$8**	**$17**	**$9**	**$37**	**$103**	**($12)**	**$329**
Margin (%)	*0%*	*5%*	*7%*	*8%*	*8%*	*5%*	*2%*	*3%*	*2%*	*6%*	*12%*	*(2%)*	*5%*

Sears Home Services is a major EBITDA contributor to SHC

Business Overview

- Sears Home Services ("SHS") is the largest broad line provider of service contracts, services, and parts with a national footprint
- Service Contracts:
  1) Protection agreements – extended warranty for a single appliance or large lawn equipment
  2) Home warranty – protects all appliances and/or all HVAC systems
- In-Home Repair:
  1) Protection agreement service – traditional service of Sears-sold protection agreements
  2) B2B[1] – serving industry – original equipment manufacturers ("OEMs"), home warranty companies, etc.
  3) D2C[2] – serving customers with no warranty; pay cash for repairs
- PartsDirect: Serving the DIY customers
  – Searspartsdirect.com is the largest e-commerce website for appliance and lawn & garden parts
  – Parts sales on 3rd party marketplaces such as Amazon and eBay using DIY repair parts brands
- Franchise: National footprint of franchisees
  – Carpet & upholstery care, air duct cleaning & indoor air quality, garage solutions, maid services and handyman solutions

Revenue by Segment



FY 2019E Revenue: $1.7BN Revenue

FY2019 Forecasted Financials

($ in MM)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY2019
Revenue	$127	$160	$131	$133	$166	$135	$132	$162	$125	$126	$155	$129	$1,681
(-) COGS	(32)	(41)	(36)	(37)	(46)	(38)	(38)	(43)	(30)	(32)	(39)	(33)	(444)
Gross Margin	**$94**	**$119**	**$95**	**$96**	**$120**	**$97**	**$95**	**$119**	**$95**	**$94**	**$116**	**$96**	**$1,237**
Margin (%)	*74%*	*74%*	*73%*	*72%*	*72%*	*72%*	*72%*	*73%*	*76%*	*75%*	*75%*	*75%*	*74%*
(-) Operating Expenses	($75)	($92)	($77)	($78)	($97)	($79)	($78)	($95)	($77)	($78)	($93)	($76)	($994)
EBITDA	**$19**	**$27**	**$18**	**$18**	**$22**	**$18**	**$17**	**$24**	**$18**	**$17**	**$22**	**$20**	**$242**
Margin (%)	*15%*	*17%*	*14%*	*14%*	*14%*	*14%*	*13%*	*15%*	*14%*	*13%*	*14%*	*16%*	*14%*

Note: Excludes Sears Home Improvement
(1) Refers to "business-to-business"
(2) Refers to "direct-to-consumer"

[DRAFT – Subject to Review]

Financial Services drives an incremental $142MM of profitability for Sears[1]

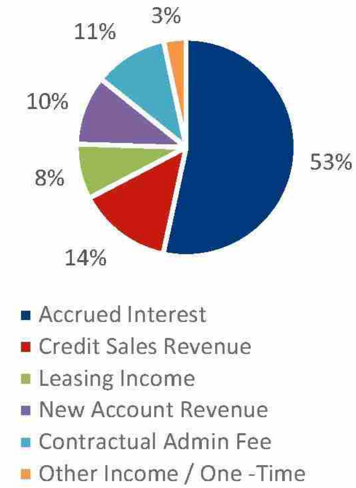
Business Overview

- The ShopYourWay Financial Services business unit provides credit, financial products, and payments solutions through a number of retail formats, as well as in online and commercial channels
- Diverse product portfolio includes:
  - Consumer credit (private label and general purpose cards)
  - Third party payment options (Visa, MasterCard, American Express, Discover, PIN Debit)
  - Layaway
  - Gift card
  - Alternative financial services (check cashing, bill pay, etc.)
- Provides financing options to support customers' ability to pay and drive incremental visits and profits to Sears Holding Corporation ("SHC") retail locations and increase loyalty and of customers to SHC via the SYW rewards program
- **Financial Services contributes $142MM[3] of profitability at Sears through three categories:**
  - Financial services generates $51MM of revenue
  - Amortization of the Citi agreement generates $57MM of revenue per year (non-cash)
  - Citi card agreement also saves ~$45MM of interchange fees which are not included as part of the business unit's EBITDA (included in SHC/store financials)

Revenue by Segment

Store Related Revenue [2]

Non-Pass Through Revenue



FY 2019E Revenue: $107MM Revenue

FY2019 Forecasted Financials

($ in MM)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY2019
Revenue	$3	$4	$3	$4	$5	$4	$4	$4	$3	$5	$7	$4	$51
Non-Cash Citi Agreement Revenue	5	5	5	5	5	5	5	5	5	5	5	5	57
Total Revenue	**$8**	**$9**	**$8**	**$9**	**$10**	**$8**	**$8**	**$9**	**$8**	**$10**	**$12**	**$9**	**$107**
(-) Operating Expenses	(0)	0	(0)	(0)	(1)	(0)	(1)	(1)	(0)	(1)	(1)	(0)	(5)
EBITDA	**$8**	**$9**	**$8**	**$8**	**$9**	**$8**	**$8**	**$8**	**$8**	**$9**	**$11**	**$8**	**$102**

(1) See detailed breakdown below in "Business Overview"
(2) Revenue by segment based on LTM revenue as reported by the Company
(3) Net of $5MM of operating expenses

[DRAFT – Subject to Review]

Same-store sales comps improved significantly prior to the Chapter 11 filing

Initiatives by Segment

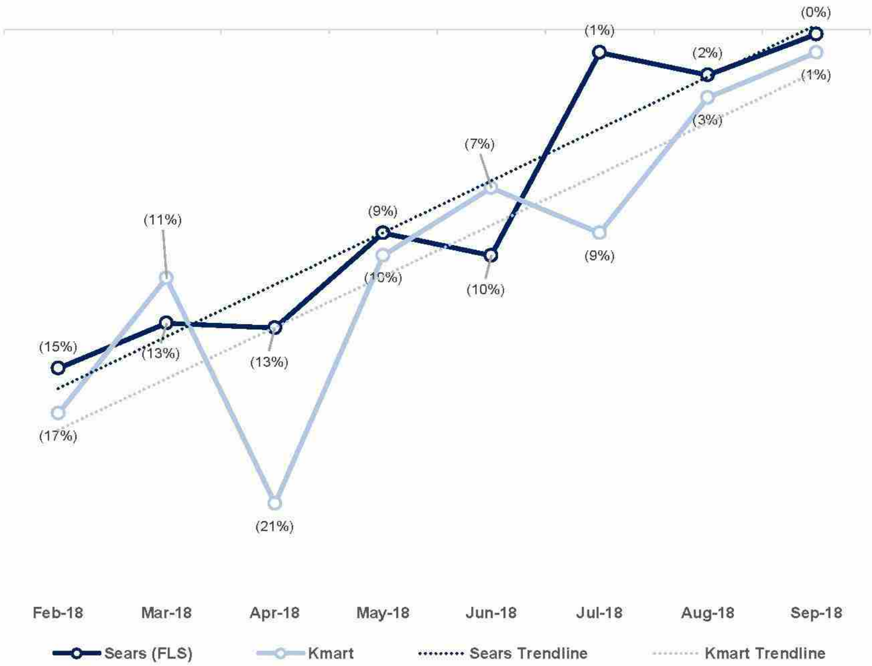
Softlines Initiatives

- ShopYourWay cashback offers are underway, plus prices have been adjusted upwards by lowering promotional marketing dollars to fund points and improve margin dollars
- Adjusting pricing further to lower promotional depth due to increased demand driven by SYW Points to improve margin dollars

Hardlines Initiatives

- Investment in digital marketing (e.g. search engine marketing, data-feeds, affiliates, retargeting)
- Free delivery
- "Mores of Kenmore"
- Creative offers (e.g. bundled promotions; value-positioned product upgrades, etc.)
- Launch of "leasing online"
- Increased focus on shopping recaps (e.g. "abandoned carts" in store to drive purchase online after store visit)
- Leverage of Home Services data to find potential future home appliance buyers (e.g. higher frequency of service on existing old appliances and declined service estimates / quotes)
- Increased television marketing spend

2018 YTD Same Store Sales Comps (% change)(1)



(1) Same-store comps based on Company data; includes online and Sears Auto, and is adjusted for the retail week calendar

[DRAFT – Subject to Review]

With modest same-store sales growth from post-filing levels, SHC can return to operating profitability in 2019…

Consolidated Historical and Projected Financials

($ in MM)	2015A	2016A	2017A	2018E [1]	2019E	2020E	2021E
Same Store Sales Comps (%) [2]	*(8.0%)*	*(7.7%)*	*(14.3%)*	*(7.9%)*	*(2.4%)*	*2.7%*	*3.5%*
Revenue	**$24,533**	**$21,543**	**$16,248**	**$11,846**	**$8,553**	**$8,742**	**$9,172**
(-) COGS	(16,272)	(14,312)	(10,525)	(7,609)	(5,255)	(5,491)	(5,773)
Gross Margin	**$8,262**	**$7,230**	**$5,723**	**$4,237**	**$3,298**	**$3,250**	**$3,399**
Margin (%)	*33.7%*	*33.6%*	*35.2%*	*35.8%*	*38.6%*	*37.2%*	*37.1%*
(-) Operating Expenses	(7,005)	(6,240)	(4,889)	(3,765)	(2,613)	(2,554)	(2,586)
(-) Supply Chain & Logistics	(483)	(389)	(326)	(300)	(227)	(187)	(163)
(-) Home Office SG&A	(1,642)	(1,434)	(1,112)	(848)	(424)	(355)	(362)
(+) SHC Level PA EBITDA Adjustment [3]	33	36	46	54	84	50	23
EBITDA	**($836)**	**($798)**	**($557)**	**($621)**	**$117**	**$204**	**$311**
Margin (%)	*(3.4%)*	*(3.7%)*	*(3.4%)*	*(5.2%)*	*1.4%*	*2.3%*	*3.4%*

2019E EBITDA Sensitivity to Retail Same Store Sales (%) and Gross Margin (%)

Margin Expansion (bps)	Same Store Sales Growth / (Decrease)											
	(10.0%)	(8.0%)	(6.0%)	(4.0%)	(2.4%)	(2.0%)	–	2.0%	4.0%	6.0%	8.0%	10.0%
–	($149)	($118)	($86)	($55)	($30)	($24)	$7	$39	$70	$101	$132	$164
50	(125)	(93)	(61)	(30)	(4)	2	34	66	97	129	161	193
100	(101)	(69)	(36)	(4)	22	28	60	93	125	157	190	222
150	(77)	(44)	(12)	21	48	54	87	120	153	185	218	251
200	(53)	(20)	13	47	73	80	113	147	180	214	247	280
250	(30)	4	38	72	99	106	140	174	208	242	276	310
280	(13)	21	55	90	$\boxed{\$117}$	124	158	192	227	261	295	329
300	(6)	29	63	98	125	132	167	201	235	270	304	339

(1) YTD 9-month actuals through October 2018
(2) Go-forward 505 stores only. Excludes Sears Auto Centers.
(3) SHC level EBITDA adjustment related to the protection agreement business

[DRAFT – Subject to Review]

Retail, Home Services, and Financial Services drive profitability

Business Unit Historical and Projected Financials

($ in MM)	2015A	2016A	2017A	2018E (1)	2019E	2020E	2021E
Retail (4-Wall + Online + SYW)							
Revenue	$21,381	$18,492	$13,531	$9,140	$6,265	$6,318	$6,437
Gross Margin	6,541	5,476	4,119	2,629	1,868	1,933	2,056
EBITDA	959	628	531	233	329	360	444
Home Services (2)							
Revenue	$2,139	$2,159	$1,953	$1,749	$1,681	$1,573	$1,593
Gross Margin	1,582	1,592	1,433	1,251	1,237	1,107	1,099
EBITDA	195	266	222	126	242	208	210
Financial Services							
Revenue	$66	$68	$74	$107	$107	$101	$102
EBITDA	55	59	68	99	102	97	97
Other Businesses							
Kenmore / Craftsman / DieHard EBITDA	$11	$11	($2)	($6)	$14	$34	$64
Monark EBITDA	7	3	3	1	(3)	(2)	(1)
Overhead and Adjustments							
Home Office / Corporate SG&A	($1,642)	($1,434)	($1,112)	($848)	($424)	($355)	($362)
Supply Chain and Innovel	(483)	(389)	(326)	(300)	(227)	(187)	(163)
PA Corporate Level EBITDA Adjustment (3)	33	36	46	54	84	50	23
Other Adjustments	29	23	13	19	–	–	–
Total SHC EBITDA	**($836)**	**($798)**	**($557)**	**($621)**	**$117**	**$204**	**$311**
Retail EBITDA Detail							
505 Store Go-Forward 4-Wall EBITDA	$338	$162	$135	$35	$87	$109	$182
All Other 4-Wall EBITDA+ Online	81	(144)	(84)	(140)	9	11	13
Vendor Discounts & Other Adjustments	239	304	238	183	89	91	93
Sears Auto Center EBITDA	152	117	83	50	41	43	46
ShopYourWay EBITDA	149	190	160	105	102	105	109
Total Retail EBITDA	**$959**	**$628**	**$531**	**$233**	**$329**	**$360**	**$444**

(1) YTD 9-month actuals through October 2018
(2) Excludes SHIP in forecast; SHIP EBITDA was ($0.7)MM, $17.1MM and $19.0MM in 2015, 2016, and 2017, respectively
(3) SHC level EBITDA adjustment related to the protection agreement business

[DRAFT – Subject to Review]

Working Draft / Preliminary FY2019E Monthly Budget

Working Draft / Preliminary FY2019E Monthly Budget

	2019E Monthly Budget												2019E	2020E	2021E
($ in MM)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Total	Total	Total
Retail (4-Wall + Online + SYW)															
Same Store Sales (% Change)	*(3.1%)*	*(3.3%)*	*(4.0%)*	*(3.8%)*	*(5.0%)*	*(4.6%)*	*(4.1%)*	*(4.9%)*	*(0.6%)*	*1.0%*	*1.1%*	*(0.3%)*	*(2.4%)*	*2.7%*	*3.5%*
Revenue	$412	$530	$417	$499	$607	$431	$459	$526	$401	$627	$863	$498	$6,270	$6,456	$6,697
Gross Margin	118	160	141	157	183	138	125	149	128	176	264	128	1,868	1,933	2,056
EBITDA	0	29	30	39	48	21	8	17	9	37	103	(12)	329	360	444
Home Services															
Revenue	$127	$160	$131	$133	$166	$135	$132	$162	$125	$126	$155	$129	$1,681	$1,573	$1,593
Gross Margin	94	119	95	96	120	97	95	119	95	94	116	96	1,237	1,107	1,099
EBITDA	19	27	18	18	22	18	17	24	18	17	22	20	242	208	210
Financial Services															
Revenue	$3	$4	$3	$4	$5	$4	$4	$4	$3	$5	$7	$4	$107	$101	$102
EBITDA	8	9	8	8	9	8	8	8	8	9	11	8	102	97	97
Other Businesses															
Kenmore / Craftsman / DieHard EBITDA	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$14	$34	$64
Monark EBITDA	(1)	0	(1)	(1)	(0)	0	0	1	(1)	(0)	(0)	(0)	(3)	(2)	(1)
Overhead and Adjustments															
Home Office / Corporate SG&A	(43)	(42)	(41)	(41)	(41)	(36)	(30)	(31)	(30)	(29)	(30)	(29)	(424)	(355)	(362)
Supply Chain and Innovel	(23)	(18)	(22)	(21)	(16)	(19)	(19)	(16)	(23)	(22)	(11)	(17)	(227)	(187)	(163)
PA Corporate Level EBITDA Adjustment [(1)]	8	10	7	7	9	7	6	8	6	6	7	5	84	50	23
Total SHC EBITDA	**($30)**	**$15**	**($0)**	**$11**	**$32**	**$0**	**($9)**	**$12**	**($12)**	**$18**	**$103**	**($24)**	**$117**	**$204**	**$311**
Retail EBITDA Detail															
Brick and Mortar 4-Wall EBITDA	($15)	$6	$13	$18	$23	$3	($12)	($4)	($2)	$15	$72	($30)	$87	$109	$182
Vendor Discounts & Other Adjustments	6	7	5	7	8	6	7	7	6	9	13	8	89	91	93
Sears Auto Center EBITDA	3	4	3	3	4	3	4	3	4	3	5	4	41	43	46
Online EBITDA	1	0	3	5	3	2	2	1	(4)	2	(4)	(1)	9	11	13
ShopYourWay EBITDA	6	12	6	7	10	7	7	9	6	8	17	7	102	105	109
Total Retail EBITDA	**$0**	**$29**	**$30**	**$39**	**$48**	**$21**	**$8**	**$17**	**$9**	**$37**	**$103**	**($12)**	**$329**	**$360**	**$444**

Refer to page 16 for transition risks and upsides to the preliminary FY2019 plan

(1) SHC level EBITDA adjustment related to the protection agreement business.

1H 2019 risks associated with filing-driven headwinds also present potential upside for outperformance vs. plan in 2H 2019

2019 Business Risks & Opportunities

	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Risks	• Spring seasonal inventory purchasing has been limited during the bankruptcy period. Given large lead times, the Company may have potential in-stock issues on seasonal products • Consumer confidence overhang on appliance sales as Sears needs to win back the member base	• During bankruptcy, Spring / Summer inventory orders were limited, which could have a negative impact to the in-stock rate during the quarter • Will be difficult to replicate post Hurricane Maria sales levels in offshore stores given the significant demand created from destruction of personal property	• Potential issues with Fall / Winter supply if the Company does not purchase adequate levels in early 2019 • Continued potential overhang in offshore stores affected by Hurricane Maria	• Limited risk given Q4 2018 faced bankruptcy headwinds, vendor constraints, limited liquidity, and damaged consumer confidence. Expect the Company to perform strongly if given adequate time to plan inventory buys and sufficient capital to invest
Opportunities	• Opportunity to negotiate better terms with vendors than were seen prior to filing where a significant portion of major vendors were CIA • Merchants could pursue opportunities to source seasonal goods domestically with shorter lead times	• Large opportunity to push appliance sales and win back members with significant marketing campaigns for 4th of July – historically a large appliance sales weekend • Lower Spring / Summer seasonal inventory levels create opportunity to see lower markdowns during the quarter • Large opportunity to have completed filling vacant positions and stabilize the workforce	• The Company is annualizing Q3 2018 which had a relatively worse-than-normal product offering due to cash constraints in June 2018 as liquidity began to tighten • Lower Spring / Summer seasonal inventory levels create opportunity to see lower markdowns in September	• Company should see significant growth off of Q4 2017, which experienced significant headwinds from vendor issues and limited consumer confidence • Opportunity to see growth in Protection Agreement sales as the Company was unable to sell the product in 34 states for a period of time • Company will be lapping Q4 2018 which had lower marketing spend due to bankruptcy liquidity constraints

III. Our Go-Forward Initiatives

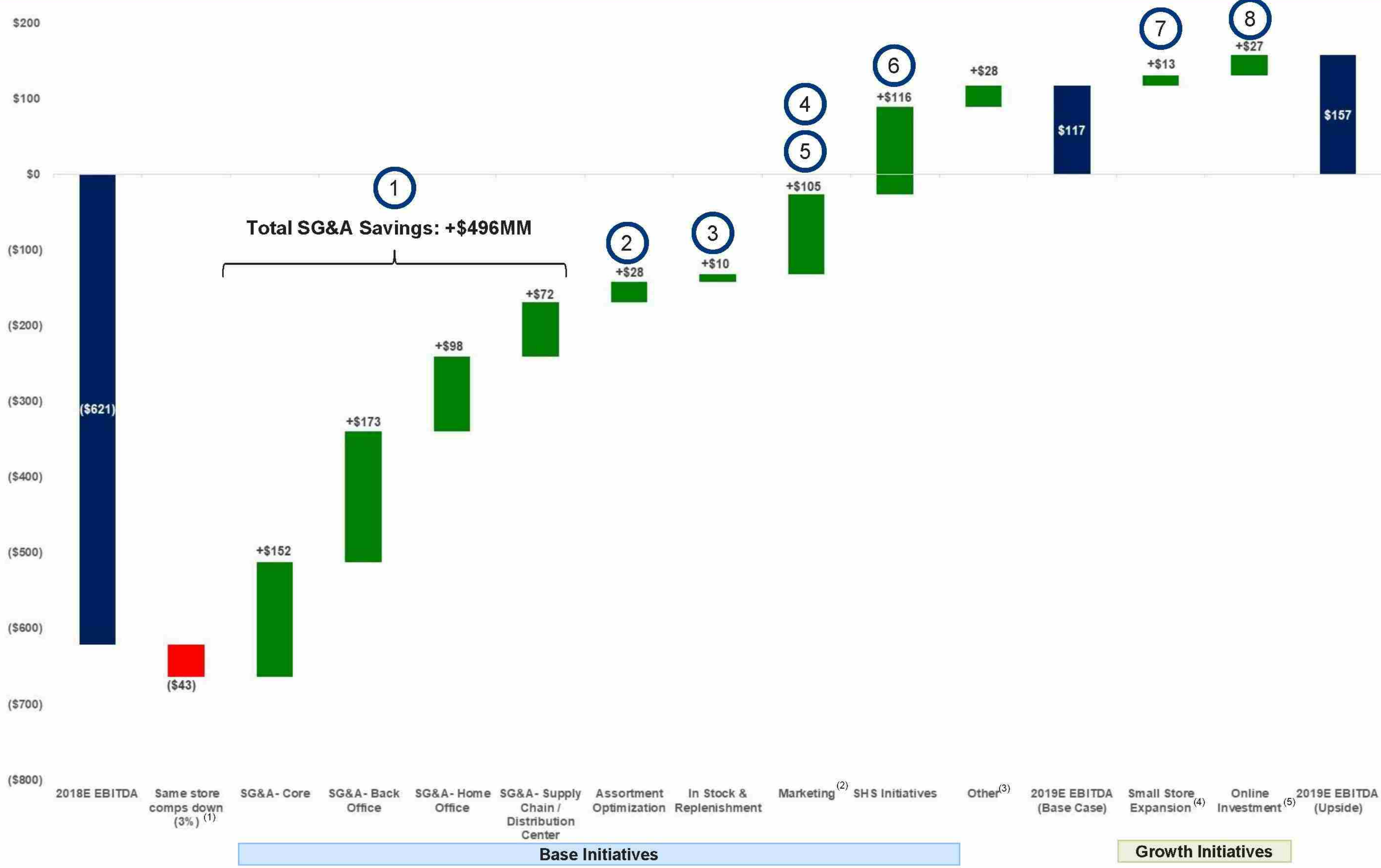
Key initiatives will drive margin and EBITDA growth from FY2018 to FY2019

Initiative	Description
Base Case Forecast	
1 **SG&A:**	▪ Initiatives to reduce corporate SG&A expense from ~$1.2BN to an annual run-rate of ~$700MM by the end of 2019 and $577MM by the end of 2021 ▪ Payroll reductions on over 1,000 positions in November – and planned reductions of over 1,400 positions in January ▪ >$250MM in non-payroll reductions focused in marketing, IT, contracts, and professional services across back-office groups ▪ Supply chain costs reduced by $73MM through a reduction in non-core distribution centers
2 **Assortment Optimization:**	▪ Reduce the number of SKUs across the company – includes better use of distribution center storage and favorable vendor costs ▪ Leverage brands between Kmart and Sears formats – includes rollout of Jaclyn Smith and Adam Levine product lines ▪ Develop competitor data scraping capabilities to help identify pricing and trend opportunities early on
3 **In Stock & Replenishment:**	▪ In-stock: continuously improve in-stocks while minimizing non-productive inventory ▪ Replenishment: differentiation between basics and seasonal items and implementation of pack/size optimization
4 **Marketing - Traditional:**	▪ Utilizing "always on" strategy for broadcast / online video to improve unaided consideration scores for hardlines ▪ Launch brand equity messaging prior to key promotional selling periods ▪ Focus all media buys to go forward store locations
5 **Marketing - Digital ROI:**	▪ Leverage the online team's tracking and modeling to improve return on investment for the various digital marketing channels
6 **SHS Initiatives:**	▪ Direct to Consumer ("D2C") – continued technician investment, improved pricing techniques, and optimized marketing efforts ▪ Business to Business ("B2B") – improvements to pricing strategy, service quality, and job-completion turnover times ▪ PartsDirect website rebuild – enable multi-touch marketing analytics to better understand and improve the customer journey
Upside Growth Scenario	
7 **Small Store Footprint:**	▪ Rollout of a modified store model with enhanced customer services capabilities better positioned to cater to local communities
8 **Online Investment:**	▪ Initiatives include personalization with machine learning, redesign of the website to improve user experience for key categories, and integration of "Marketplace" into core online business strategy

[DRAFT – Subject to Review]

Financial impact from key initiatives driving positive EBITDA in FY2019

EBITDA Bridge from FY2018E to FY2019E



(1) Same-store sales based on pre-bankruptcy 3-month trend from July 2018 – September 2018
(2) Includes $17MM incremental EBITDA from Digital Marketing initiatives, $17MM incremental EBITDA from Traditional Marketing initiatives, and $73MM incremental EBITDA from ShopYourWay Points Reductions
(3) Includes EBITDA impact from other business units, including Financial Services, Kenmore, ShopYourWay, and Sears Auto Center, as well as a reduced store footprint other corporate level adjustments
(4) Based on 44 new stores requiring $64MM of capex; run-rate EBITDA impact will total $18MM in 2020 once fully ramped.
(5) Online growth initiative requires $5mm of upfront one-time capex in 2019 and $7mm of ongoing maintenance capex.

[DRAFT – Subject to Review]

SG&A reductions deliver ~$496MM in cuts from FY2018 to FY2019

	Quarterly Pacing					Annual				FY2018 to
($ in millions)	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2018	FY 2019	FY 2020	FY 2021	FY2019
Core (Retailing)										
Buying Organization	$27	$20	$18	$14	$14	$142	$67	$58	$60	($75)
Retail Services & Online	22	14	14	14	14	109	57	58	59	(52)
Marketing[1]	12	5	5	5	5	46	20	21	21	(25)
Total CORE (Retailing)	**$61**	**$39**	**$37**	**$34**	**$34**	**$297**	**$144**	**$137**	**$140**	**($152)**
Back Office										
Legal	4	4	4	4	4	37	16	16	16	(21)
Accounting	5	5	5	5	5	30	19	19	20	(11)
FP&A	0	0	0	0	0	2	2	2	2	(1)
GM Team	0	-	-	-	-	1	-	-	-	(1)
Internal Audit	0	0	0	0	0	3	1	1	1	(2)
Procurement	1	0	0	0	0	6	2	2	2	(4)
Risk Management	0	0	0	0	0	2	1	1	1	(1)
Treasury	2	1	1	1	1	11	6	6	6	(5)
Real Estate[2]	7	7	7	7	7	33	27	27	28	(6)
HR	4	2	2	2	2	32	9	9	9	(23)
IT	44	48	43	20	16	216	127	64	65	(89)
Call Centers[3]	7	6	6	6	6	35	23	24	24	(12)
Holding Company & Other	2	1	1	1	1	3	4	3	3	1
Total Back Office	**$77**	**$75**	**$70**	**$47**	**$43**	**$409**	**$236**	**$175**	**$178**	**($173)**
Home Services and Other										
Home Services	6	6	6	6	6	45	23	23	23	(22)
Sears Auto Centers	1	2	2	2	2	15	7	7	7	(8)
Kenmore, Craftsman & Diehard	3	2	1	1	1	16	6	5	5	(11)
Contract Appliances	0	0	0	0	0	0	0	0	0	(0)
Builder Distributors	0	0	0	0	0	1	0	0	0	(1)
Connected Living	0	0	0	0	0	1	1	0	1	(1)
Service Live	0	0	0	0	0	2	1	1	1	(1)
Supply Chain Home Office	3	3	3	3	3	16	12	12	12	(5)
Shop Your Way	8	5	5	5	5	51	20	20	21	(31)
Gross Healthcare & Benefits	9	7	6	6	6	43	25	26	26	(18)
Total HS & Other Businesses	**$30**	**$24**	**$23**	**$23**	**$23**	**$192**	**$94**	**$94**	**$96**	**($98)**
Total Home Office	**$168**	**$139**	**$131**	**$104**	**$100**	**$898**	**$474**	**$406**	**$414**	**($423)**
Supply Chain DC Operations[4]	60	63	56	58	49	300	227	187	163	(72)
Total	**$228**	**$202**	**$187**	**$163**	**$149**	**$1,197**	**$701**	**$593**	**$577**	**($496)**
Memo: Bridge to Corporate SG&A										
Gross Home Office / Corporate SG&A						*898*	*474*	*406*	*414*	*(423)*
(-) SHO and Lands' End Overhead Reimbursement						*(50)*	*(50)*	*(51)*	*(52)*	*-*
Net Forecasted Home Office / Corporate SG&A						*848*	*424*	*355*	*362*	*(423)*

(1) All of digital marketing spend is allocated to the stores and reductions are included in the marketing initiatives
(2) Real estate current run-rate removes the $8.9MM EDA tax credit from the city of Hoffman Estates
(3) Primarily composed of online; total reduction as reported by the MSO team
(4) Includes $73.0MM of total internal margin charge from the stores; 2021E includes Innovel estimated 3rd party revenue of $511MM

1

[DRAFT – Subject to Review]

We have already taken action on over 1,000 total positions (effective November 15th 2018)

($ in 000s)

	Active			Open Positions			Total		
Business	**Active**	**Total Salary**	**Average Salary**	**Open**	**Total Salary**	**Average Salary**	**Positions**	**Total Salary**	**Average Salary**
Home Services	161	$13,059	$81	4	$431	$108	165	$13,490	$82
Call Centers	16	1,041	65	-	-	NA	16	1,041	65
Retail (Central support)	224	10,828	48	13	602	46	237	11,430	48
Merchants-Off Price	8	563	70	4	410	102	12	973	81
Health and Wellness Solutions	3	474	158	1	105	105	4	579	145
Sourcing - US	1	109	109	-	-	NA	1	109	109
KCD	7	856	122	4	315	79	11	1,171	106
Human Resources	28	1,680	60	5	300	60	33	1,980	60
Legal	20	1,804	90	11	987	90	31	2,790	90
Finance	13	1,323	102	-	-	NA	13	1,323	102
Pricing	3	350	117	-	-	NA	3	350	117
Procurement	16	1,357	85	2	250	125	18	1,607	89
Asset Profit & Protection	41	2,693	66	9	611	68	50	3,305	66
Supply Chain/Innovel - Corp	-	-	NA	-	-	NA	-	-	NA
Inventory Mgmt	-	-	NA	6	628	105	6	628	105
Marketing/IMX/Studio	54	4,292	79	-	-	NA	54	4,292	79
Analytics	6	627	105	2	392	196	8	1,019	127
Online	9	934	104	33	1,884	57	42	2,818	67
Financial Services	3	450	150	2	156	78	5	606	121
Real Estate	42	2,130	51	4	451	113	46	2,581	56
Kenmore Direct - CS (Field)	83	2,431	29	1	65	65	84	2,496	30
Kenmore Direct - CD (Seattle)	17	1,595	94	-	-	NA	17	1,595	94
SYW(1)	183	16,853	92	1	116	116	184	16,969	92
MT	-	-	NA	-	-	NA	-	-	NA
SHI Analytics	19	815	43	-	-	NA	19	815	43
Total Salary	**957**	**$66,265**	**$69**	**102**	**$7,702**	**$76**	**1,059**	**$73,967**	**$70**
Assumed 14% Avg Benefits	957	9,277	10	102	1,078	11	1,059	10,355	10
Total Salary & Benefits	**957**	**$75,542**	**$79**	**102**	**$8,781**	**$86**	**1,059**	**$84,323**	**$80**

(1) SYW has identified 80 positions to be impacted in Israel

1

[DRAFT – Subject to Review]

Projected key dates and anticipated milestones
~1,400 additional positions targeted in January for reduction

OCTOBER

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

NOVEMBER

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

DECEMBER

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

JANUARY

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Internal Date

Key Date

DATE(S)	EVENT
October 29	Commenced wave 1 of store closures (142 stores) ✓
October 30	Initial SG&A reduction by month due from businesses with by month pacing including any investment if applicable ✓
October 31	Finalize SG&A reduction plan along with names of any initial cuts to be done before Thanksgiving. HR to begin RIF process ✓
November 2	HR submission of impacted names to Legal for review ✓
November 8	Potential buyer to notify which stores to purchase. All other stores to commence closure process ✓
November 14 & 15	SG&A wave 1 employee notices ✓
November 15	Commenced wave 2 of store closures (40 stores) ✓
November 30	SG&A wave 2 names of cuts due to HR ✓
January 17	SG&A wave 2 reduction targeted to ~1,400 positions

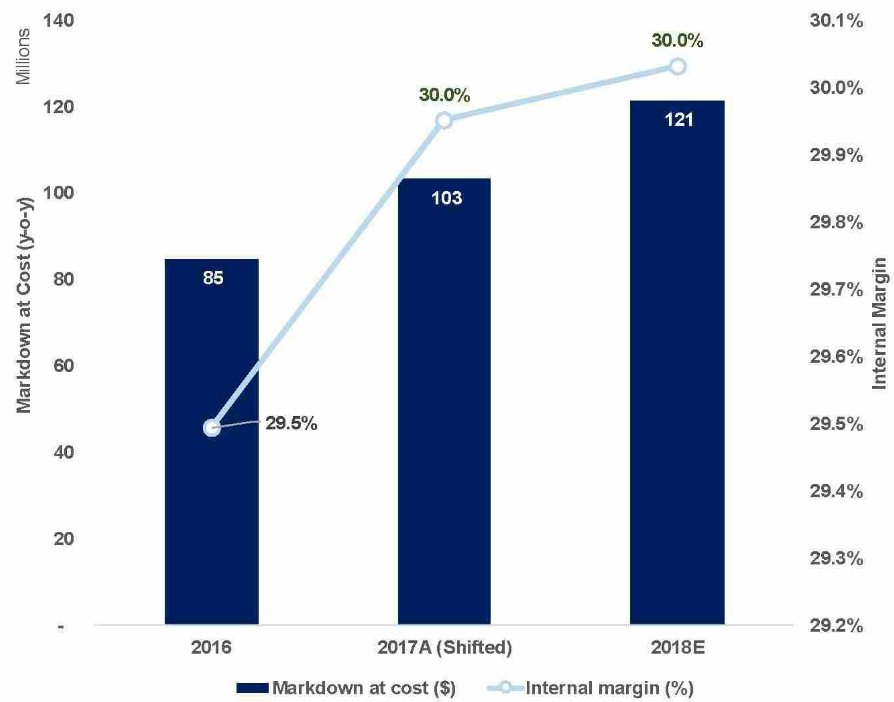
[DRAFT – Subject to Review]

Assortment optimization will deliver $28MM in incremental EBITDA in FY2019 (and up to $67MM by 2021)

Key Objectives

Reduce the number of SKUs across the company	• Reduce inventory levels at end of the season • Optimize the fabric use through creation of a fabric library • Leverage distribution storage capacity • Negotiate better Free on Board ("FOB") costs with vendors – Apparel and footwear divisions reduced their respective SKU numbers by 31% in 2018 and 33% in 2017 – 2019 SKU reduction is projected at 20% – Reduced FOB by $110MM since end of 2016 by moving receipt from domestic to import and increasing sourcing mix of Bangladesh and India – Reduced markdown liability by $120MM in 2018
Leverage Brands between Kmart and Sears formats	• Expand Jaclyn Smith to Sears stores → started this year • Expand Adam Levine to Sears → planning to be fully rolled out planned by end of 2018 • Simply Style moved from Sears to Kmart in Q3 • Plan to expand outdoor life to Kmart in early Q1
Develop competitor data scraping capabilities	• Leverage price opportunity by product category • Identify color, style gap earlier in the season

Year Over Year Markdown Improvement (Softlines)



Financial Impact

($ in millions)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY 2019	FY 2020	FY 2021
New Revenue	$5	$6	$4	$7	$7	$4	$6	$8	$7	$13	$14	$6	$86	$155	$210
(-) Required Incremental COGS	($3)	($4)	($2)	($4)	($4)	($2)	($4)	($5)	($4)	($8)	($8)	($4)	($52)	($93)	($126)
Gross Margin	**$2**	**$2**	**$2**	**$3**	**$3**	**$2**	**$2**	**$3**	**$3**	**$5**	**$6**	**$2**	**$34**	**$28**	**$50**
Operating Expense															
(-) Variable cost 8%	($0)	($0)	($0)	($1)	($1)	($0)	($0)	($1)	($1)	($1)	($1)	($0)	($7)	($12)	($17)
(-) Required Incremental Operating Expense	**($0)**	**($0)**	**($0)**	**($1)**	**($1)**	**($0)**	**($0)**	**($1)**	**($1)**	**($1)**	**($1)**	**($0)**	**($7)**	**($12)**	**($17)**
Initiative EBITDA	$2	$2	$1	$2	$2	$1	$2	$2	$2	$4	$5	$2	$28	$50	$67
Margin (%)	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*	*32%*

In-stock & replenishment initiative will deliver $10MM in incremental EBITDA in FY2019 (and up to $22MM by 2021)

Key Objectives

Objective	• Continuously improve in-stocks while minimizing non-productive inventory • 95% in-stock goal by store & product vs ~92% currently • 52-week rolling forecast and refined planning algorithms
Initiatives	• Lost Sales Reduction: Lost sales improvement realized in both basic and seasonal areas through improved demand forecasting • Reduction of Aged Inventory: Aged inventory including inventory greater than 80 days ("GT80") will be reduced, specifically demand forecasting improvement and incremental single item replenishment exposure • Supply Chain Savings: Single item replenishment are balanced with the costs of picking vs replenishing size packs
Impacts	• Gains realized in basic replenishment and seasonal product • Basics split between two tracks to accommodate packaging and replenishment differences • Seasonal product focus will be on flowing product to maximize sales and minimize markdowns • Pack size optimization enhances size; improvements to assortment mix • EBITDA is compressed due to high distribution center costs from size pack to SIR (17% today) • Single apparel distribution center with pick and pack will reduce costs to 5%

Select 2018 Weekly In-stock Rates

Format	In-stock Type	Week	In-stock Rate
	Apparel		
Kmart	Basics	3	94.9%
Sears	Basics	3	93.4%
Kmart	Basics	29	93.7%
Sears	Basics	29	92.2%
Kmart	Footwear	29	92.3%
Sears	Footwear	29	94.9%
Kmart	Spring / Summer	6	90.0%
Sears	Spring / Summer	6	96.1%
	Footwear		
Kmart	Basics	3	78.9%
Sears	Basics	3	80.1%
Kmart	Basics	29	87.3%
Sears	Basics	29	86.7%
Kmart	Footwear	29	97.0%
Sears	Footwear	29	98.2%
Kmart	Spring / Summer	6	89.1%
Sears	Spring / Summer	6	98.2%

Financial Impact

($ in millions)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY 2019	FY 2020	FY 2021
New Revenue	$1	$1	$2	$3	$4	$3	$3	$4	$5	$7	$12	$3	$48	$64	$67
(-) Required Incremental COGS	($0)	($1)	($1)	($2)	($3)	($2)	($2)	($2)	($3)	($4)	($7)	($2)	($30)	($40)	($42)
Gross Margin	**$0**	**$0**	**$1**	**$1**	**$2**	**$1**	**$1**	**$1**	**$2**	**$3**	**$4**	**$1**	**$18**	**$42**	**$67**
Operating Expense															
(-) Initiative Support Cost	($0)	($0)	($0)	($1)	($1)	($0)	($0)	($1)	($1)	($1)	($2)	($0)	($8)	($3)	($3)
(-) Required Incremental Operating Expense	**($0)**	**($0)**	**($0)**	**($1)**	**($1)**	**($0)**	**($0)**	**($1)**	**($1)**	**($1)**	**($2)**	**($0)**	**($8)**	**($3)**	**($3)**
Initiative EBITDA	$0	$0	$0	$1	$1	$1	$1	$1	$1	$1	$2	$1	$10	$21	$22
Margin (%)	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*33%*	*21%*	*33%*	*33%*

Example: Apparel and Footwear have demonstrated a major turnaround over the past 18 months

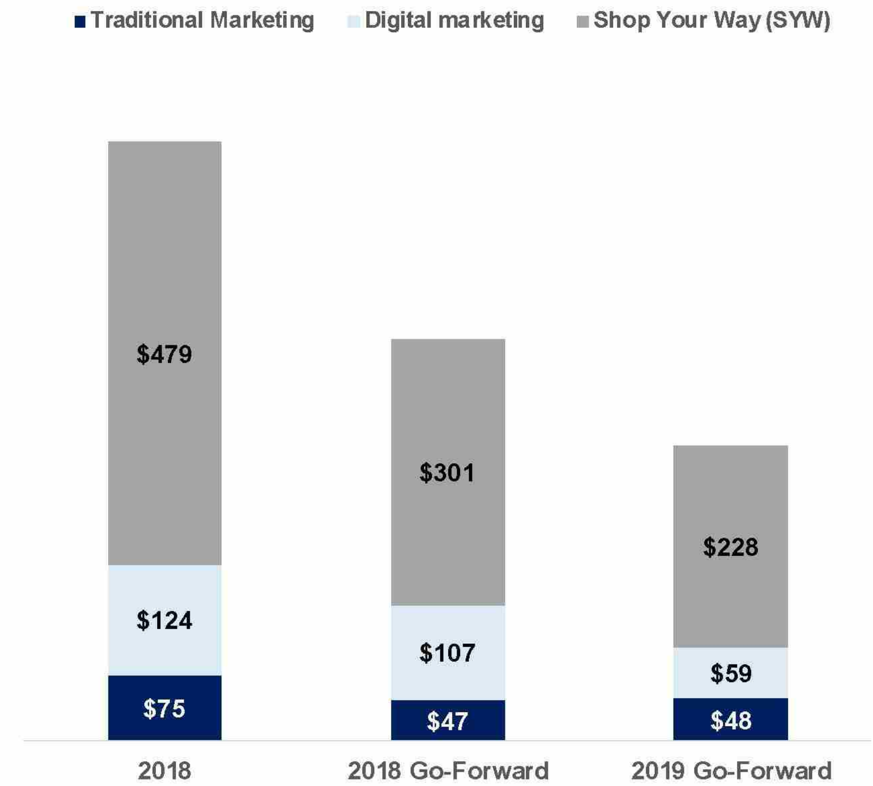
YTD Business Operating Profit Up $80MM vs. Adjusted LY and 2017 up $300MM Over 2016

- **Right size of the buy**
  - Discipline around seasonal buys; by category and by store
  - Sales plan target communicated to merchandising team ahead of the overseas buying trip
  - Simulation done by finance on expected in-season and post-season revenue and margin for each of the divisions and total business units
  - $64MM in lower markdowns vs. last year at the end of October
- **Assortment rationalization and brand consolidation**
  - Number of SKUs has been reduced by 31% in FW18 vs. FW17 and by 61% vs 2016
  - Brand consolidation or expansion since we merged buying teams serving both Sears and Kmart in July 2017
  - Jaclyn Smith brand at Kmart rolled out to Sears
  - Key sellers rolled out into both formats (Basic Edition from Kmart into Sears)
- **Product cost savings**
  - $12MM FOB savings in 2018 on top of $80MM in 2017 as a result of moving from domestic to import vendors
  - Receipts moved from 30% import to 60% vs. domestic from 2016 to 2018
  - Built cross-sourcing capabilities, including vendor's direct design
- **Execution excellence**
  - Implemented forecast by product and store by week since 2017
  - Put in place drilled-down reporting capabilities by key demographic, store, product, and day to identify exceptions and drive replenishment actions and inform allocation
  - Weekly trading meeting focused on immediate actions based on last week's results including members, store, pricing, inventory, and sourcing metrics
  - Implemented competitor data tool in order to identify assortment gap and pricing opportunities

[DRAFT – Subject to Review]

Marketing spend to be reduced by ~30%; emphasis will be on ROI

Marketing Spend by Category



Planned Drop in Total Marketing Spend

($ in MM)		Go Forward Strategy		2019 versus 2018[2]		
	2018	2018	2019	Reduction in Spend	Incr. GM Impact[5]	Impact to EBITDA
Traditional marketing	$75	$47	$48	($1)	$16	$15
Digital marketing	124	107	59	$49	($32)	$17
ShopYourWay (SYW)	479	301	228	$73	$0	$73
Total marketing spend	$679	$455	$335	$121	($16)	$105
Growth Y-o-Y (%)	*NM*	*(33%)*	*(26%)*			
Marketing / sales (%)	*8%*	*8%*	*6%*			

Marketing spend is planned to drop both on a dollar basis and as a percentage of sales, however, the marketing budget will be re-balanced with a stronger emphasis and focus on improving ROI

Cost Allocation Process (2019 Go-Forward)[1,3]

Traditional Marketing → $48MM (100%) booked to stores

Digital Marketing → $59MM (100%) booked to stores[4]

ShopYourWay (SYW) → $228MM (100%) booked to cost of goods sold

(1) Go-forward refers to remaining 505 stores
(2) Comparison versus 2018 estimates based on go-forward store count
(3) Allocated dollar amount determined by corresponding percentage times planned annual spend; differences may arise due to rounding
(4) Historically, ~40% of digital marketing spend was booked to Stores, while ~60% was booked to SG&A
(5) Refers to "Incremental Gross Margin Impact" which includes the impact to both sales and COGS

Traditional marketing refocuses on high impact ROI spend to drive profitability

Key Objectives

Objective	• Align and synergize most effective marketing channels directed to value enhancing categories
Initiatives	• Utilize "always on" strategy for broadcast/online video to improve lagging unaided consideration scores for hardlines • Launch brand equity messaging prior to key promotional selling periods • Focus all media buys to go forward store locations • Over invest in peak opportunities and scale back in lower demand periods to maximize impact while managing spend
Impacts	• Higher conversion of shoppers aware of Sears hardlines will lead to improved performance of lower funnel marketing messaging • Improved ROI driven by improving consideration, matching the channel to the business and marketing in proximity of the store locations • As of January 2017, Sears' Aided Awareness score was 90% • Stronger brand equity messaging plus improved efficiencies are expected to drive higher conversion rate from Awareness to Consideration by +0.8% • Holding the conversion rate from "Consideration to Shopping" and "Shopping to Purchase" will result in a 40 basis point purchase improvement – a modest improvement in comparison to the higher conversion rate of Sears' competitors • Purchase score improvement of 0.4 points equates incremental revenue of $56MM or 1.4%

Impact from Marketing Efforts to Select KPIs(1)

	Current	*Change*	2019
Aided Awareness	90		90
Conversion	58%	*80 bps*	59%
Aided Consideration	52.2	*0.7*	52.9
Conversion	60%		60%
Shopping (6 mo. Period)	31.3	*0.4*	31.7
Conversion	84%		84%
Purchase (6 mo. Period)	26.3	*0.4*	26.7
Incremental Sales Impact		*140 bps*	

Financial Impact

($ in millions)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY 2019	FY 2020	FY 2021
New Revenue	$4	$5	$4	$5	$6	$4	$4	$5	$4	$6	$8	$3	$56	$56	$56
(-) Required Incremental COGS	($3)	($3)	($3)	($3)	($4)	($3)	($3)	($3)	($3)	($4)	($5)	($2)	($40)	($40)	($40)
Gross Margin	**$1**	**$1**	**$1**	**$1**	**$2**	**$1**	**$1**	**$1**	**$1**	**$2**	**$2**	**$1**	**$16**	**$16**	**$16**
Operating Expense															
(-) Traditional Marketing	($2)	$2	$1	($1)	($0)	($0)	$1	$3	$0	($2)	($3)	($1)	($1)	($1)	($1)
(-) Required Incremental Operating Expense	**($2)**	**$2**	**$1**	**($1)**	**($0)**	**($0)**	**$1**	**$3**	**$0**	**($2)**	**($3)**	**($1)**	**($1)**	**($1)**	**($1)**
Initiative EBITDA	($0)	$3	$2	$0	$1	$1	$2	$4	$1	$0	($1)	$0	$15	$15	$15
Margin (%)	*(12%)*	*64%*	*65%*	*1%*	*25%*	*21%*	*49%*	*88%*	*37%*	*2%*	*(9%)*	*6%*	*26%*	*26%*	*26%*

(1) Data source from Ipsos ASI Marcom Tracker; key performance indicators ("KPIs") are scored based on participant responses from surveys / polls (out of 100)

Traditional marketing transitioning to cohesive company strategy vs. individual business unit approach

2018 Traditional Marketing Strategy: Traffic and Conversion Improvement

2018	2019
Separate TV campaigns for mattress and home appliances for national holidays. Not synergistic, did not build the Sears/Kmart brands ▪ 30" Home Appliance spot was 60% more effective than a 15" spot but the cost was 100% more reducing the ROI	Portfolio campaigns will achieve efficiencies – delivering a more holistic message on promotional offers and build the brands ▪ Portfolio campaign of mattresses, appliances, and home services costs partially offset by vendor funding will improve ROI
Marketing support 'on-and-off' throughout the year driven by peaks and troughs of events, seasons and BU priorities	Deploy an 'always-on' support plan focused on TV for Home Appliances supported by other various media channels ▪ Provide seasonal support (e.g. spring apparel, outdoor living in May/June)
2 FSI's (vendor funded) + a circular for each national holiday ▪ Pure transactional messaging, no Sears/Kmart brand building Circulars deployed during national holiday events supporting big ticket products (focus on home appliances) ▪ Presidents Day, Black Friday, etc.	Deploy circular strategy during high traffic periods to draw high frequency shoppers in apparel and adjacency categories ▪ Transactional offers underpinned by Sears/Kmart brand sentiment message ▪ Use vendor funds as contribution to a holistic circular
Kmart media was earmarked but was reduced during the year	For Kmart, support high traffic periods with broadcast media which have historically delivered high ROI
Did not monetize marketing assets by seeking sponsor funding from vendors, service providers and 3rd parties ▪ Did not treat marketing collateral as a valuable marketing channel to monetize	Dedicate a focused effort framing-up a value proposition as rationale for vendor funding ▪ Featured products in circulars, coupon drops in e-commerce boxes etc.

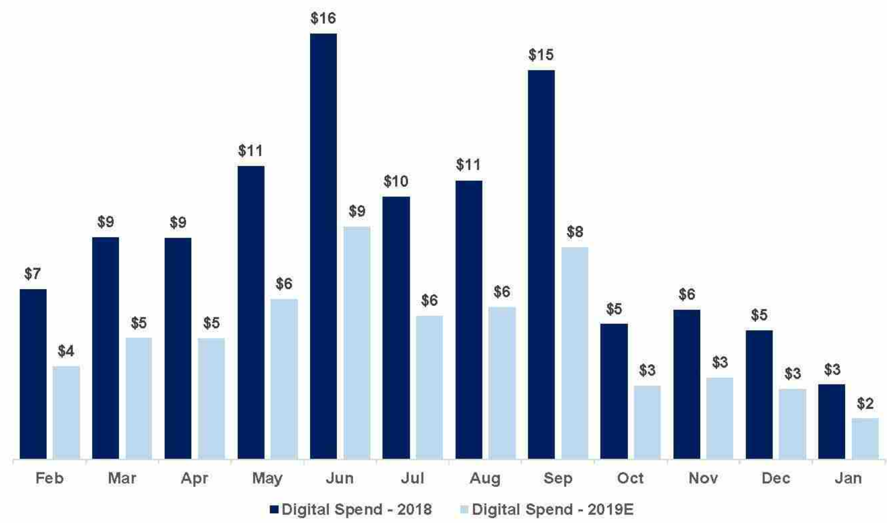
In 2019 all elements of the marketing mix will be connected by a cohesive brand strategy to build brand sentiment for Sears and Kmart vs. in 2018 marketing was fragmented by being conducted at a business unit level

Digital marketing drives profitability by eliminating low ROI spend

Key Objectives

Objective	• Increase incremental revenue generated from our paid digital channels while increasing efficiency and improving ROI • Develop a consistent operating focus on visits, conversion rate, and average order value
Initiatives	• Take a greater omnichannel approach to concentrate on personalization, maximizing efficiency, and channel diversification to drive incremental revenue and drive return on investment • Use automation, audience implementation, attribution to optimize spend efficiency, and diversification of revenue streams with additional partners to drive incremental revenue and margin • Identify the most critical drop-offs in the online conversion funnel and deliver simplified experiences that reduce friction and increase conversion rate • Battle the increased costs associated with digital marketing along with declining web traffic by leveraging search engine optimization ("SEO") which aims to improve traffic by deploying optimized metadata, structural fixes and content enhancements targeted to Sears' best categories
Impacts	• Spend on digital marketing will be filtered based an ROI threshold, which should cause a slight decline in revenue that will be more than offset by savings in marketing expense

Planned Monthly Digital Marketing Spend



Financial Impact

($ in millions)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY 2019	FY 2020	FY 2021
New Revenue	($11)	($15)	($15)	($20)	($29)	($18)	($19)	($26)	($9)	($10)	($9)	($5)	($184)	($184)	($184)
(-) Required Incremental COGS	$9	$12	$12	$16	$24	$15	$16	$22	$7	$8	$7	$4	$153	$153	$153
Gross Margin	**($2)**	**($3)**	**($3)**	**($3)**	**($5)**	**($3)**	**($3)**	**($4)**	**($2)**	**($2)**	**($1)**	**($1)**	**($31)**	**($31)**	**($31)**
Operating Expense															
(-) Digital Marketing	$3	$4	$4	$5	$7	$5	$5	$7	$2	$3	$2	$1	$48	$48	$48
(-) Required Incremental Operating Expense	**$3**	**$4**	**$4**	**$5**	**$7**	**$5**	**$5**	**$7**	**$2**	**$3**	**$2**	**$1**	**$48**	**$48**	**$48**
Initiative EBITDA	$1	$1	$1	$2	$3	$2	$2	$2	$1	$1	$1	$0	$17	$17	$17
Margin (%)	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*	*(9%)*

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[DRAFT – Subject to Review]

Digital marketing utilizes data-driven strategy to increase efficiency

2018 Digital Marketing Strategy: ROI Improvement

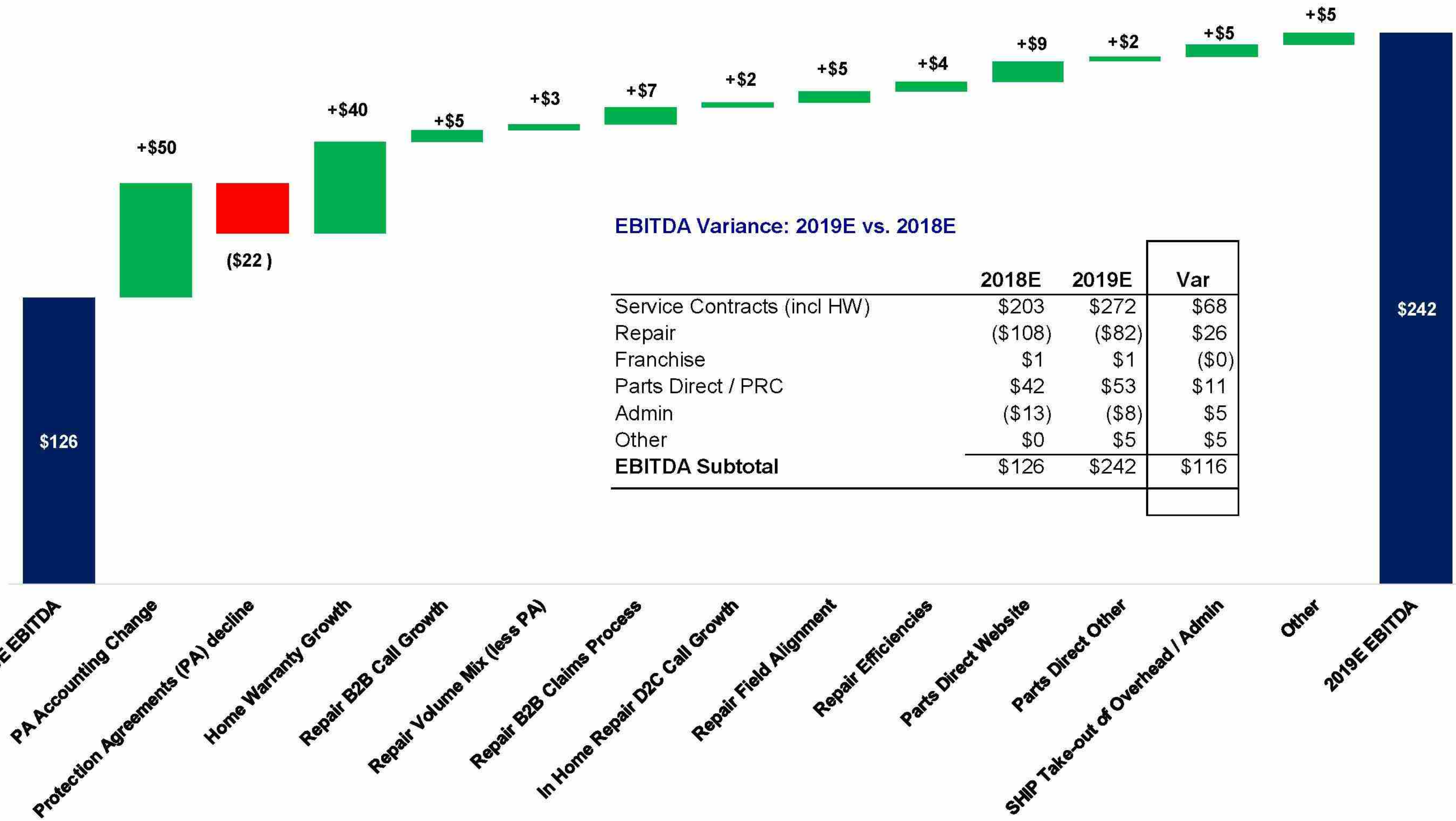
2018	2019
Target users nationally making small bid adjustments regionally based on Return on adjusted spend ("ROAS")	Target users by designated market area ("DMA"), making aggressive bid adjustments based on ROAS by DMA and zip code
Point all users from all channels to the desktop and mobile websites	Point users from channels to customized landing pages built specifically for that channel and by device
Affiliates - track users who come to the desktop site or mobile site	Affiliates - implement app to app tracking with publishers to diversify methods of publishing deals and acquire better data insight to improve personalization targeting
Focus on individual business units and the top keywords and products within each	Focus on top keywords and products regardless of business unit
ShopYourWay, Google and Microsoft audience implementation accounts for 31% of total clicks for paid search and data-feeds	Increase ShopYourWay, Google and Microsoft audience implementation to account for 50% of total clicks for paid search and data-feeds
Average Cost Per Click continues to increase across Google, Bing and Yahoo	Integrate new search platforms with a much lower average cost per click to bring down spend and increase ROAS
Social – integrated with Facebook, Twitter, Pinterest, Instagram, etc. to communicate with members	Social - integrate more deeply with current and new vendors to expand how we reach members. Implement greater targeted communications with members and test new strategies/tactics to improve conversion
Target users nationally making small bid adjustments regionally based on ROAS	Target users by DMA making aggressive bid adjustments based on ROAS by DMA and zip code
$124MM Spend with 0% ROI	**$59MM Spend with 30% ROI**

6

[DRAFT – Subject to Review]

Key initiatives and partnerships at Sears Home Services will drive significant EBITDA growth in FY2019

2019E EBITDA Bridge



EBITDA Variance: 2019E vs. 2018E

	2018E	2019E	Var
Service Contracts (incl HW)	$203	$272	$68
Repair	($108)	($82)	$26
Franchise	$1	$1	($0)
Parts Direct / PRC	$42	$53	$11
Admin	($13)	($8)	$5
Other	$0	$5	$5
EBITDA Subtotal	$126	$242	$116

Highly Confidential

UCC_SEARS0000039

Sears Home Services: Service Contracts

Protection Agreements

- SHC signed an agreement with Assurant on November 19th to provide underwriting for all go-forward protection agreements
  - Assurant provided best overall economics, three year term, lowest upfront reserve payment, and additional B2B service volume
- New agreement results in an EBITDA increase of ~$50 million in 2019 due to accounting change
  - Year one (one-time) 3x per policy profit improvement to Sears Home Services driven by immediate revenue recognition (i.e. pull-forward of profit)
  - $20 per policy profit increase assuming 2.5MM new and renewed policies → $50MM in EBITDA benefit
- Cost savings due to reduction of lower value leads by using a 3rd party underwriter resulting in an improved cost-to-sales ratio

Impact from Revenue Recognition (per Policy)

EBITDA Timing

Year:	1	2	3	4	5	6	Total
Assurant Underwritten	$29	$0	$0	$0	$0	$0	$29
Sears Underwritten	9	13	7	3	2	1	34
Variance	$20	($13)	($7)	($3)	($2)	($1)	($5)

Illustrative Economics (per Policy)

Assurant Underwritten vs. Sears Underwritten

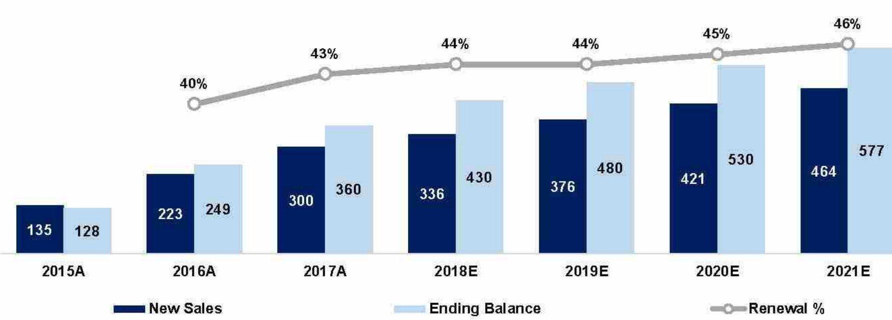
	Assurant Underwritten	Sears Underwritten	Variance
Blended average	$ 170	$ 170	-
SHS EBITDA %	17%	20%	(3%)
EBITDA / policy	$ 29	$ 34	$ (5)

Slightly lower economics, but better upfront EBITDA

Home Warranty

- Continued growth in Home Warranty should deliver ~$40MM of EBITDA; partially offsets decline in protection agreements
- D2C channel enrollments expected to increase ~5% year-over-year based on overall improvements to the paid repair business; this is a primary channel for home warranty sales
- Integrating Sears Home Warranty promotional offer into the SHS.com repair scheduling experience
  - Promotional offer currently only available on the phone or in the home
  - This represents a new channel for sales in 2019
- Improved phone agent and tech sales anticipated through performance management and launch of refreshed coaching tools
- Underwriting provided by Cross Country Home Warranty

Home Warranty by Year ($ in 000s)



[DRAFT – Subject to Review]

In-Home Repair Improvements: Business to Business (B2B)

Commentary

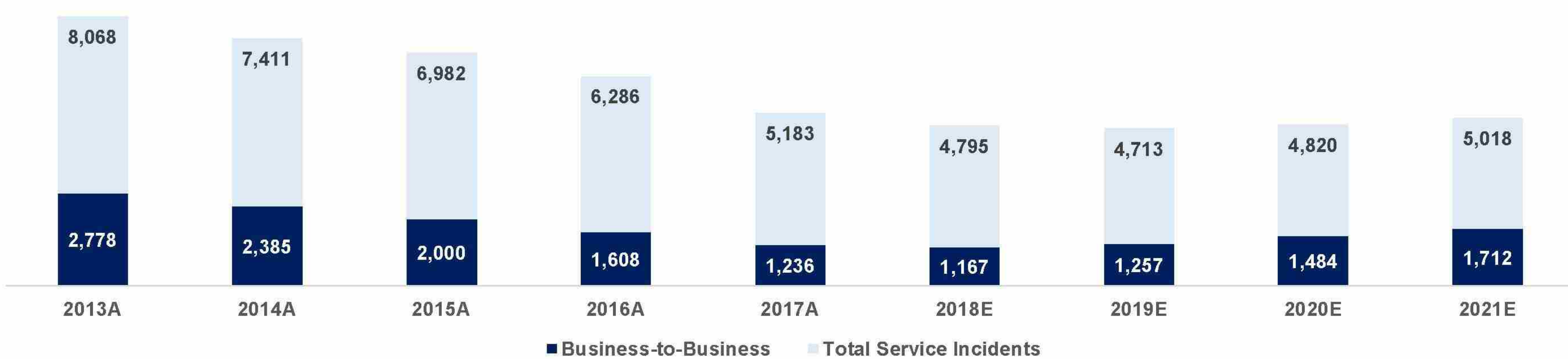
Volume increases

- Business-to-Business (B2B) volume assumption in 2019 results in 10.3% market share of industry service volume, up from 8.1%
- ~20% below the traditional B2B volumes in 2016 and a 27% growth over 2018
- Win back B2B partners by reducing rates where we were priced out of the market
- Business-to-Business creates over the last four weeks were up 56% versus the same period last year – up 7% over the four weeks prepetition
- Increased calls due to improved service levels resulting from continued technician investment and improved margins through pricing and marketing optimization effort

Efficiency Improvements

- Revenue optimization through re-engineering of B2B claims collections process expected to drive ~$7MM improvement
- Attrition improvements from company stabilization post bankruptcy emergence
- Currently running ~35% compared to historical average of closer to 25%
- Field realignment to increase span of control resulting in lower indirect field costs of ~$5MM annually
- Reducing 1099 reliability for preventive maintenance checks to help lower direct labor costs
- Improved service levels - improved response time, more efficient marketing, call center proficiency, and improvements to the web channel tools

Business-to-Business Service Incidents versus Total Service Incidents by Year



Note: 2018 estimate based on pre-filing trend rates

In-Home Repair Improvements: Direct to Consumer (D2C)

Commentary

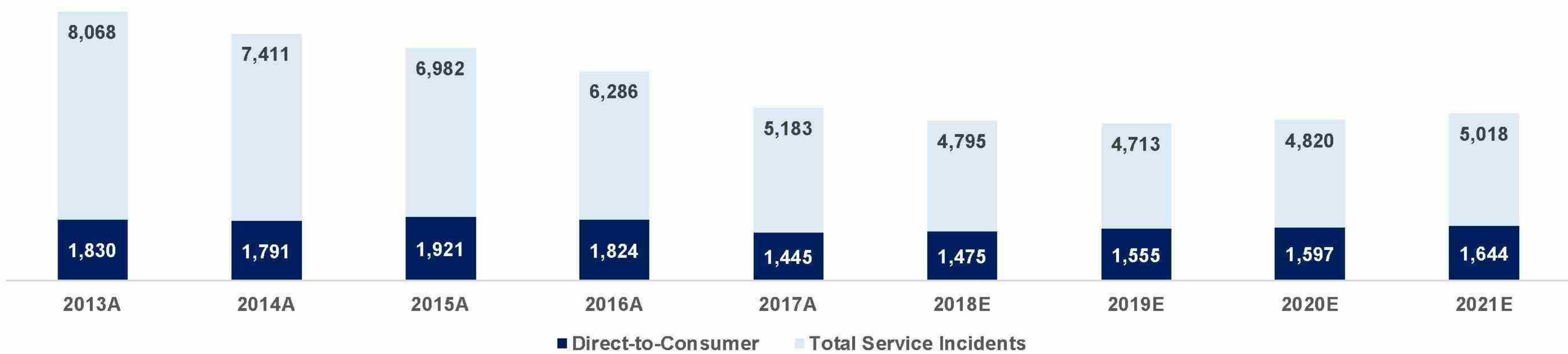
Volume increases

- Direct to Consumer (D2C) service volume assumption in 2019 moves us from 9.2% market share of 16M Total Addressable Market of service calls, to 9.7%
  - Still 15% below our 2016 volume and only 5% growth over 2018
- Tactics for success will be optimized and local SEM, in addition, TV advertising at SHC that will include elements of In-Home Repair awareness
- Prior to filing, YTD Direct-to-Customer (D2C) creates were only down 5% year-over-year and had actually been trending better than prior year in the 4 weeks leading up to the filing

Efficiency Improvements

- Attrition improvements from company stabilization post bankruptcy emergence
- Currently running ~35% compared to historical average of closer to 25%
- Field realignment to increase span of control resulting in lower indirect field costs of ~$5MM annually
- Reducing 1099 reliability for Preventive Maintenance checks to help lower direct labor costs
- Improved service levels - improved response time, more efficient marketing, call center proficiency, and improvements to the web channel tools

Direct-to-Consumer Service Incidents versus Total Service Incidents by Year



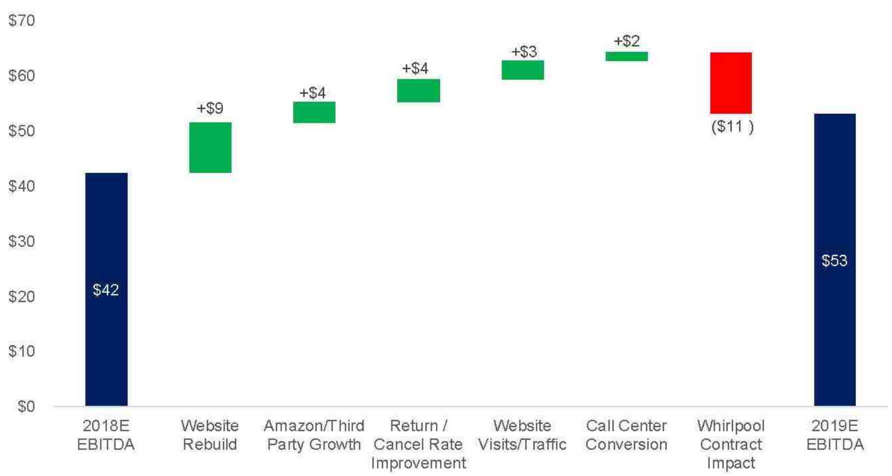
Note: 2018 estimate based on pre-filing trend rates

PartsDirect improvements

PartsDirect Planned to Sustain EBITDA Level on a YoY Basis

Offset	Description
Supplier parts cost increases offset with improvements listed below	
SPD.com website rebuild (completion April 2019)	▪ Improvements to website performance will drive higher customer conversion and total revenue ▪ Enhanced experience for customers by providing unexpected value added solutions that should increase order size ▪ Designed to easily support new branding opportunities
Third Party Sales	▪ Fulfillment by Amazon replenishment automation ▪ Seller Fulfilled Prime enabled in all Home Services parts distribution centers ▪ Increase catalog through direct drop shipments ▪ Addition of parts sales on GoogleXpress marketplace ▪ Increase product assortment sold by DIY Repair brand
Pricing optimization	▪ Leverage competitive scrapes from "Feedonomics" for improved market view ▪ Supplement with new tools
Reduced care contacts (contacts per sale)	▪ Expedite and priority shipments moved from vendors to Home Services parts distribution centers ▪ Parts supply chain flow returns to normal
Improved call center conversion	▪ New and improved sales call flow embedded into new hire training ▪ Continued integration of six sources of behavioral influence to support vital behaviors
Marketing effectiveness	▪ SEM vs SEO optimization

2019 PartsDirect EBITDA Bridge



Annual Conversion Rates

[DRAFT – Subject to Review]

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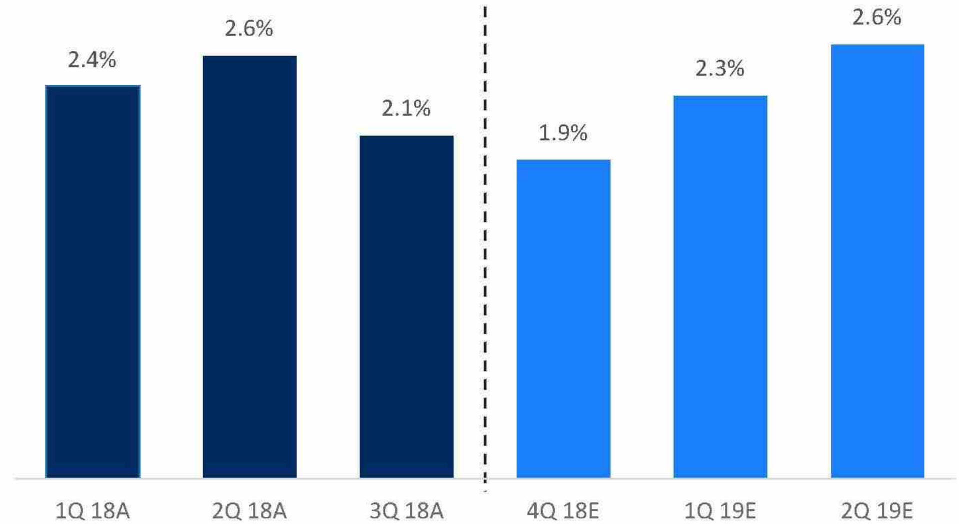
Website rebuild driving conversion

Enhanced Capabilities

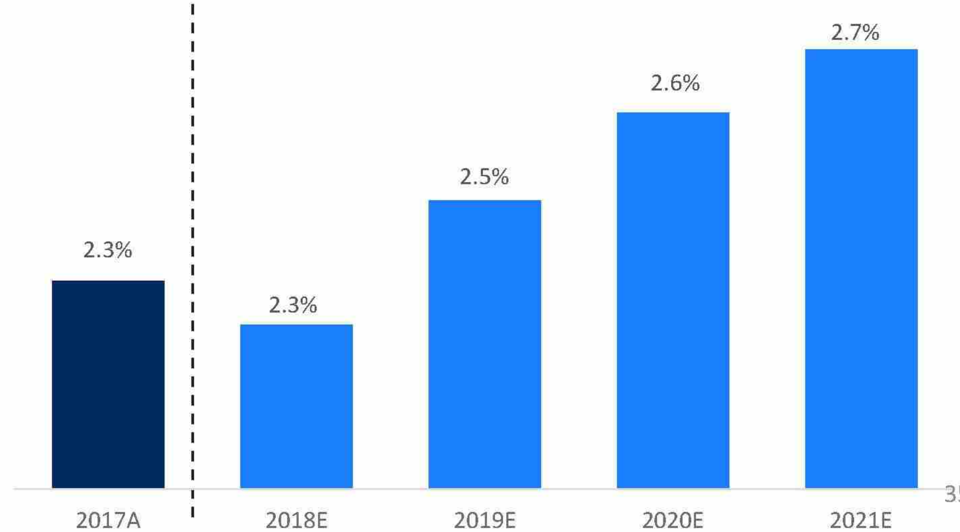
- Strategic Pillars
  - Improved search tool to allow customers to quickly find and order the correct part, which will lead to an increased conversion rate
  - Enhanced experience for customers by providing unexpected value added solutions that should increase order size
  - Provides consistent customer experience across device platforms
  - Designed to easily support new branding opportunities
  - Showcase SPD's ability to provide expert advice
- Improvements to website architecture will lower page load times and will directly correlate to increased conversions
- Simplified search tool to allow user to quickly find the model, part and repair content provided by Do It Yourself ("DIY") experts and emerging DIYers
- Customer preferences (i.e., purchase history and frequent purchases) are stored to allow for easy reorders and one click checkout
  - Logged in customers convert 18% vs 2% guest
- Leverage data to guarantee the part fits, highlight most common problems and which parts are used to fix the problem
- Accepts additional payment types
- Responsive design to support mobile device users
- Allows for mobile users to take a picture of the model number on their product to quickly initiate their search for the correct part or content
- Execution
  - Scaled agile framework
  - Total anticipated time of completion is 40 weeks (with first sprint started in June 2018)

Conversion Over Time

Quarterly (3Q'17A – 2Q'19E)



Annual (2017A – 2021E)



IV. Our Go-Forward Growth Initiatives

Small footprint store upside represents a large opportunity to outperform the base 2019 plan (not included; will require capital investment)

Business Overview

- Targeting 100 locations by the end of 2020
- Store size: 7,500 to 20,000 sq/f (leased)
- Local personalized shopping experience benefiting the community through the Sears and ShopYourWay ecosystem
- Products & services tailored to the community:
  - Home appliances
  - Home services (protection, repair, parts, home improvement)
  - Connected solutions (IoT products)
  - Financing options for every member
    - ShopYourWay 5-3-2-1 card
    - Leasing
    - Layaway
  - ShopYourWay products and services
  - Mattresses
  - Other community relevant products when space permits and based on local demographics and needs (seasonal product, tools, fitness, etc.)
- Highly trained consultative experts that focus on helping customers with in-home support
- Large purchases and home solutions
- In-home support and consultation
- Unlimited service opportunities and solutions

Financial Summary (2018E)

(4 Operating Stores)

Proof of Concept

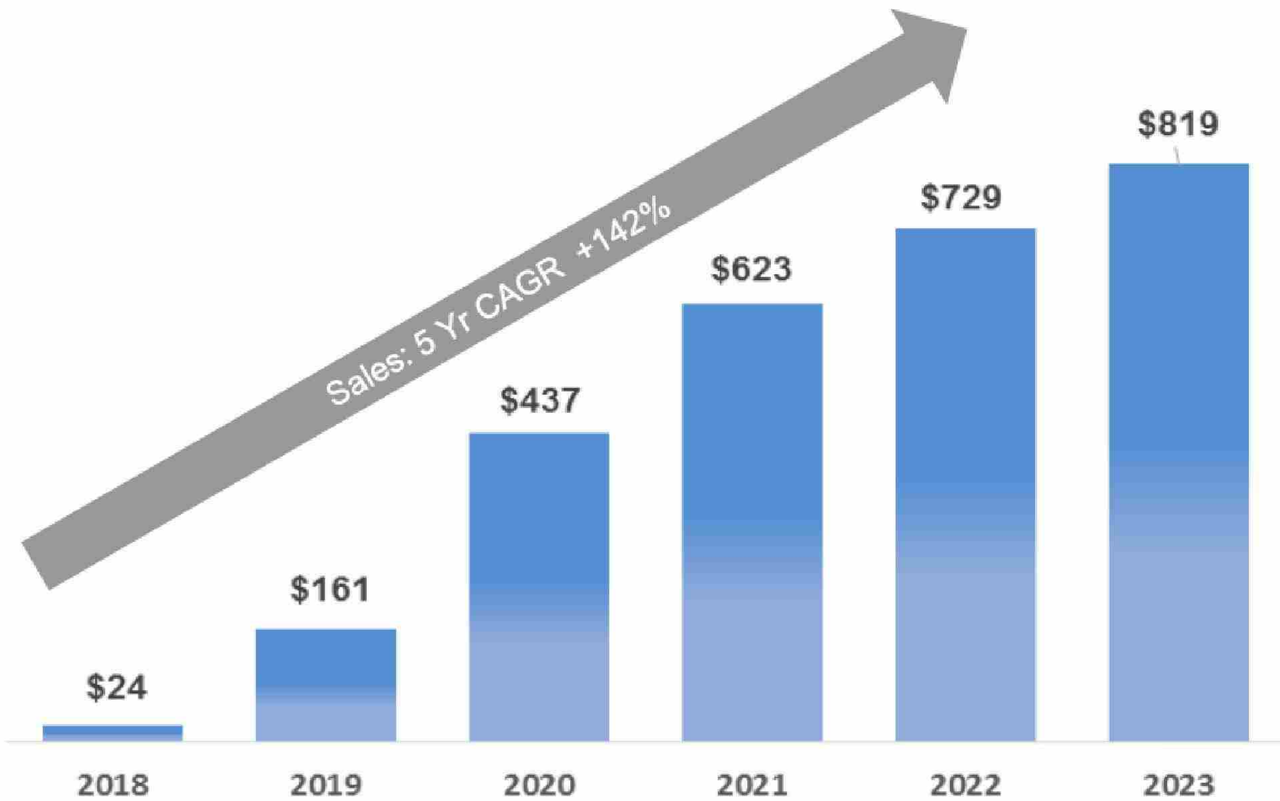
($ in 000s)	2018F
Sales	$ 23,882
Gross Margin	7,435
GM %	*31%*
Operating Expenses	5,557
EBITDA	1,878
EBITDA %	*8%*
EBITDAR	3,065
EBITDAR %	*13%*
IRR	36%
Payback	3.75 yrs

* Assumes $475k for corporate home office expenses

Description	Store Economics
Gross SF	7,500 to 20,000
Selling SF	6,750 to 18,000
Annualized Sales	$4M - $8M
Sales per/GSF	*$400 - $500*
EBITDA $	$.4m - $1.0m
EBITDA %	*~8%*
EBITDAR $	$.6m - $1.4m
EBITDAR %	*~13%*
Capital Investment	$1.4m - $1.8m
IRR	30% -60%
Payback	3 - 4 yrs

Opening small footprint stores represents a major growth opportunity

Small Store Scale Opportunity



	2018	2019	2020	2021	2022	2023	
Stores	4	40	56	20	18	16	154
Capital Investment *	$6M	$64M	$90M	$32M	$29M	$25M	$246M

*excludes working capital (inventory, etc.)

[DRAFT – Subject to Review]

With a payback period of 3 – 4 years, small footprint stores have a high IRR and can scale quickly

Financial Summary

	2018	2019	2020	2021	2022	2023	Total	
($ in 000s)	$	$	$	$	$	$	$	% Sales
Store Count:	4	44	100	120	138	154	154	
Net Sales	$23,882	$160,536	$437,323	$622,770	$729,333	$819,289	$2,793,134	
Gross Margin	**$7,435**	**$51,895**	**$141,368**	**$201,316**	**$235,763**	**$264,842**	**$902,619**	32.3%
Fixed Payroll Expense	$526	$3,815	$10,393	$14,801	$17,333	$19,471	$66,339	2.4%
Variable Payroll Expense	$1,349	$9,782	$26,647	$37,947	$44,440	$49,922	$170,087	6.1%
Corporate Overhead	$478	$3,211	$8,746	$12,455	$14,587	$16,386	$55,863	2.0%
Other Expenses	$2,016	$14,620	$39,826	$56,714	$66,418	$74,610	$254,204	9.1%
Expenses (Excl Rent, Depr)	**$4,370**	**$31,427**	**$85,613**	**$121,917**	**$142,778**	**$160,388**	**$546,493**	19.6%
Rent, CAM & Tax	$1,187	$7,028	$19,145	$27,263	$31,929	$35,867	$122,418	4.4%
Per Square Foot	20	20	20	20	20	20	20	
EBITDA	**$1,879**	**$13,439**	**$36,611**	**$52,136**	**$61,056**	**$68,587**	**$233,708**	8.4%
EBITDAR	**$3,065**	**$20,467**	**$55,756**	**$79,399**	**$92,985**	**$104,454**	**$356,126**	12.8%
Store Capital	$ 6,400	$ 64,000	$ 89,600	$ 32,000	$ 28,800	$ 25,600	$ 246,400	
Depreciation	$ 200	$ 1,800	$ 6,200	$ 10,200	$ 11,700	$ 12,500	$ 42,600	

Online Growth Initiatives: Personalization with Machine Learning

Key Objectives

Objective	• Enhance personalization capabilities beyond isolated widgets and dynamic components • Develop an integrated approach that optimizes one-to-one interactions with members through advanced analytics and machine learning
Initiatives	• Maximize current capabilities with product recommendation engines, personalized notifications, personalized promotional messaging, and personalized marketing strategies • Enhance the data foundation to implement a data discovery and learning system that tracks, analyzes, and learns from member behavior across all touch points • Develop a structured library of available offer constructs, creative assets, and promotional messaging to deliver in real time • Implement a decision engine with machine learning that matches members with specific products, messages, offers, and creative based on individualized behavioral signals • Distribute integrated personalized experiences across all touch points
Impacts	• Personalization improvements to conversion seen over a 10 month period reaching an 8% improvement in conversion by the end of 2019[(1)] • Customer conversion increases from 2.0% to 2.3%, driving increased revenue on existing customer visits • Given efficacy in driving volume through the site, management has determined that focusing in improved conversion represents the best path to increasing online sales • The financial impact of this growth initiative requires additional investment beyond the base plan

Financial Impact

($ in millions)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY 2019	FY 2020	FY 2021
New Revenue	–	–	–	–	$3	$2	$3	$4	$3	$9	$8	$4	$36	$134	$188
(-) Required Incremental COGS	–	–	–	–	($3)	($2)	($2)	($3)	($2)	($6)	($6)	($3)	($27)	($100)	($141)
Gross Margin	**–**	**–**	**–**	**–**	**$1**	**$1**	**$1**	**$1**	**$1**	**$2**	**$2**	**$1**	**$9**	**$33**	**$47**
Operating Expense															
(-) Tech. headcount/ contractors (15, 10 SHI, 5 SHC)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($1)	($1)	($1)
(-) Product Mgmt headcount / contractors (1 SHC)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)
(-) Required Incremental Operating Expense	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($1)**	**($1)**	**($1)**
Initiative EBITDA	($0)	($0)	($0)	($0)	$1	$0	$1	$1	$1	$2	$2	$1	$8	$33	$46
Margin (%)	*NA*	*NA*	*NA*	*NA*	*23%*	*21%*	*23%*	*23%*	*22%*	*24%*	*24%*	*23%*	*22%*	*24%*	*25%*

(1) Based on industry average achieved conversion improvements when implementing personalization capabilities

Online Growth Initiatives: Redesign Experience for Best Categories

Key Objectives

Objective	• Re-design site experience and functionality to deliver a Best-in-Class User Experience for Appliances, Apparel, and other key categories
Initiatives	• Implement user-centric design practices to redesign product finding, research, and buying experience and deliver an immersive experience that instills confidence in considered purchases • Reduce friction and focus on surfacing the most relevant information • Update visual design with more engaging photography • Focus on innovation, design, and industry trends with less emphasis on price and promo • Implement responsive design to optimize mobile and desktop experience to increase mobile conversion
Impacts	• Experience redesign drives improved conversion rates, ramping to a 10% conversion improvement by November 2020 • The launch of the experience redesign would require 6 months of increased headcount prior to providing projected revenue improvements • The improved customer experience would increase customer conversion from 2.0% to 2.4%, driving increased revenue on existing customer visits • The improvement to customer experience would require additional ramp time vs. other initiatives as the improved experience also has the added additional benefit of improving brand equity • The financial impact of this growth initiative requires additional investment beyond the base plan

Financial Impact

($ in millions)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY 2019	FY 2020	FY 2021
New Revenue	–	–	–	–	$3	$2	$3	$5	$2	$8	$7	$5	$35	$158	$177
(-) Required Incremental COGS	–	–	–	–	($3)	($2)	($2)	($4)	($2)	($6)	($5)	($4)	($26)	($118)	($133)
Gross Margin	**–**	**–**	**–**	**–**	**$1**	**$1**	**$1**	**$1**	**$1**	**$2**	**$2**	**$1**	**$9**	**$39**	**$44**
Operating Expense															
(-) Tech. headcount/ contractors (15, 10 SHI, 5 SHC)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($1)	($1)	($1)
(-) Product Mgmt headcount / contractors (1 SHC)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)
(-) Required Incremental Operating Expense	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($1)**	**($1)**	**($1)**
Initiative EBITDA	($0)	($0)	($0)	($0)	$1	$0	$1	$1	$1	$2	$2	$1	$8	$39	$43
Margin (%)	*NA*	*NA*	*NA*	*NA*	*23%*	*21%*	*23%*	*23%*	*22%*	*24%*	*24%*	*23%*	*22%*	*24%*	*24%*

Online Growth Initiatives: Grow Sears Marketplace

Key Objectives

Objective	• Drive Marketplace growth by integrating Marketplace into the core online business strategy and integrated retail capabilities Members will have broader selection, increased convenience and fewer reasons to buy elsewhere
Initiatives	• Drive Marketplace of Marketplaces Model – Maximize eBay on Sears Marketplace, launch new marketplaces including Etsy, Groupon, Rakuten, etc. • Focus on Auto Category – Launch Carvana (used car marketplace), expand selection of auto parts and services • Launch integrated retail experience to enable Buy Online Pickup In-store • Expand into new categories and fill assortment gaps with asset light model
Impacts	• The projected impact of the Sears Marketplace can be broken into four primary drivers: • eBay – Improving eBay conversion via emphasis on the channel presents a $176MM sales opportunity in 2019 (2.1% conversion), growing to a $360MM sales opportunity in 2021 (3.4% conversion) • Leasing, PA and Points – Drive a go-forward revenue opportunity of $13MM per annum • Other Partnerships – Cultivation of the other partnerships present an opportunity to grow Other Partnership revenue from $16MM in 2019E to $50MM in 2021E • New Category – Expanding into new categories represents an opportunity to add $6MM of revenue in 2019E growing to $24MM in 2021E • The financial impact of this growth initiative requires additional investment beyond the base plan

Financial Impact

($ in millions)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY 2019	FY 2020	FY 2021
New GMV	$14	$18	$14	$17	$22	$15	$17	$20	$12	$23	$22	$17	$211	$329	$447
(-) Required Incremental COGS	($14)	($17)	($14)	($17)	($21)	($14)	($16)	($19)	($11)	($22)	($20)	($17)	($200)	($311)	($421)
Gross Margin	**$1**	**$1**	**$1**	**$1**	**$1**	**$1**	**$1**	**$1**	**$1**	**$1**	**$1**	**$1**	**$11**	**$18**	**$26**
Operating Expense															
(-) eBay Program Manager (1 SHC)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)	($0)
(-) Required Incremental Operating Expense	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**	**($0)**
Initiative EBITDA	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$1	$11	$18	$26
Margin (%)	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*	*6%*	*6%*	*6%*	*6%*	*6%*	*5%*	*5%*	*5%*	*6%*

V. Why Sears Holdings can Make it

Why Sears Holdings can make it

- Despite our recent headwinds Sears is still the 3rd largest appliance retailer in the US with 15.3% market share
  - Lowes has 25.8% share; Home Depot has 17.1%; Best Buy has 13.7%
- Sears is the number one home service and direct delivery provider
  - Amazon, Costco, Icon Home Fitness and others are leveraging Sears' capabilities, which adds revenue & value to Innovel and Home Services; this is a unique strength that Sears has over other market competitors with high barriers to entry
- Sears' physical presence with strategic locations support a showroom concept that is important on big ticket, considered purchases; combined with our online business (40% of purchases), delivery capabilities and Home Services capabilities are a powerful differentiating combination
- We have the ability to expand our reach in the hardlines categories through scaling the small format concept.
  - We are moving into urban markets as millennials are choosing to live and work downtown
  - Moving into fast growing geographies with greater speed and agility, as well as replacing some of our recently closed store locations, further leveraging our overhead and unique delivery & service capabilities
- In addition to the hardlines opportunity (40% of sales), Sears also has a strong and growing softlines business (40% of sales) which complements hardlines more considered purchase behavior, adding frequency and everyday accessibility for our members; members who purchase tools are the biggest purchasers of men's denim and work boots
  - Diehard work boots are the market share leader and are another Sears differentiator
- Sears has an expansive financial services platform that supports member purchases and generates significant profitability through its Citi credit card agreement
  - The Citi credit card agreement also has multiple avenues growth

[DRAFT – Subject to Review]

Why Sears Holdings can make it *(cont'd)*

- Kmart is profitable, adds diversity and has a complimentary network that leverages corporate resources
  - Kmart's members shop more frequently than Sears' customers do
  - Kmart's business is less cyclical and less reliant on big ticket purchases
  - Kmart has a profitable off-shore business where it has a competitive advantage
  - Kmart allows sourcing to leverage additional volume to achieve better costing with more preferred vendors
  - Kmart provides an additional loyalty benefit to members who earn points on larger purchases
- Sears Holdings has a robust digital platform that supports both Sears and Kmart, with 145MM total registered users including 61MM contactable members and 28MM 12-month active users; of the active users, 13.5MM have redeemed points in the last 12 months

To capture this opportunity, we would address our physical presence through strategic store upgrades and a consumer confidence campaign, reinforcing its unique product & service offering that will make it relevant for years to come

Appendix

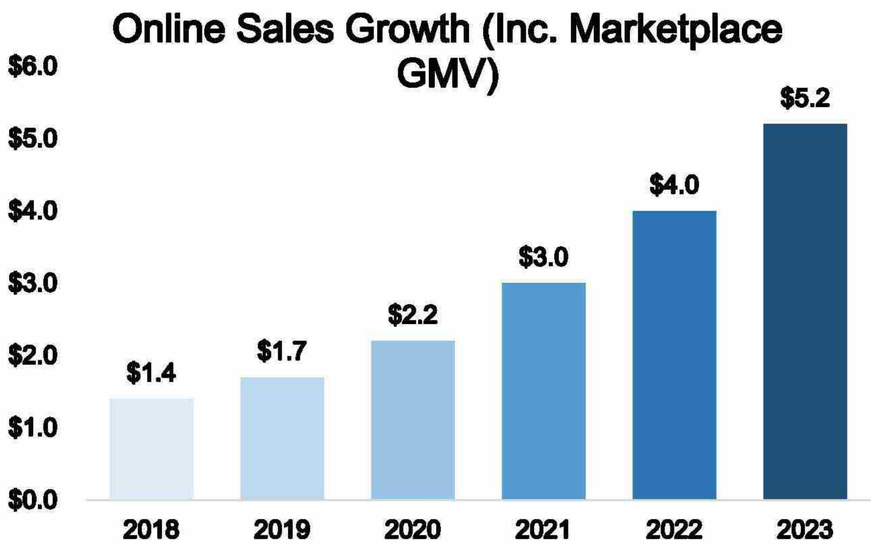
[DRAFT – Subject to Review]

The Online team is focused on delivering significant growth to retail

Online Growth Strategy

- The online growth plan emphasizes on driving 3 areas of focus:
  1. Improve the basics – visits, conversion rates, and average order value (AOV)
  2. Deliver needle mover initiatives
  3. Instill operational excellence

To achieve this growth plan ($1.3BN incremental revenue by '21 and $3.5BN by '23), we will need to invest primarily in talent acquisition and technology improvements



Key Growth Initiatives

- Improve conversion metrics over time to industry average (each 20 bps increase on a $1.5BN business equates to $150MM)
- Drive personalization with machine learning
- Leverage marketplace to accelerate selection growth with all core platform capabilities (e.g. leasing)
- Deliver a best-in-class experience for our best categories (Home Appliances and Apparel)
- Continue Mobile First – Accelerate app adoption (2x higher conversion rate than mobile web)
- Test new business models: test before you buy (apparel and footwear), appliance upgrade payment model (allow members to upgrade to latest innovation), subscription services (consumables, apparel, and other frequency categories)
- Reconfigure our fulfillment network to be "less dependent" on fusion sales

[DRAFT – Subject to Review]

IT is performing an exhaustive contract review to take advantage of the chapter 11 contract rejection opportunity

Detailed Contract Analysis

	Reject	Eliminate	Reduce	Renegotiate	Review	Total
MT Contracts						
Number	1	102	17	-	7	127
$ Value	$1,628,151	$62,348,847	$30,101,120	-	$2,603,728	$96,681,846
Number Prepaid	-	6	1	-	-	7
$ Value Prepaid	-	$6,149,100	$252,000	-	-	$6,401,100
Contracts that Cover MT & Non-MT						
Number	-	2	13	1	-	16
$ Value	-	$89,743	$61,264,935	$5,287,539	-	$66,642,217
Number Prepaid	-	-	-	-	-	-
$ Value Prepaid	-	-	-	-	-	-
Non-MT Contracts Managed by MT						
Number	-	2	21	1	1	25
$ Value	-	$8,047,945	$13,460,133	$1,313,264	$582,530	$23,403,872
Number Prepaid	-	-	1	-	1	2
$ Value Prepaid	-	-	$6,353	-	$4,253	$10,606
Total Contracts						
Number	1	106	51	2	8	168
$ Value	$1,628,151	$70,486,535	$104,826,188	$6,600,803	$3,186,258	$186,727,935
Number Prepaid	-	6	2	-	1	9
$ Value Prepaid	-	$6,149,100	$258,353	-	$4,253	$6,411,706

Summary

168 contracts reviewed with an annual expense of $187MM (out of 210 total contracts with spend of $198MM)

Summary Status:

- Reject – 1
- Eliminate – 106
- Reduce – 51
- Renegotiate – 2
- Review – 8

Key

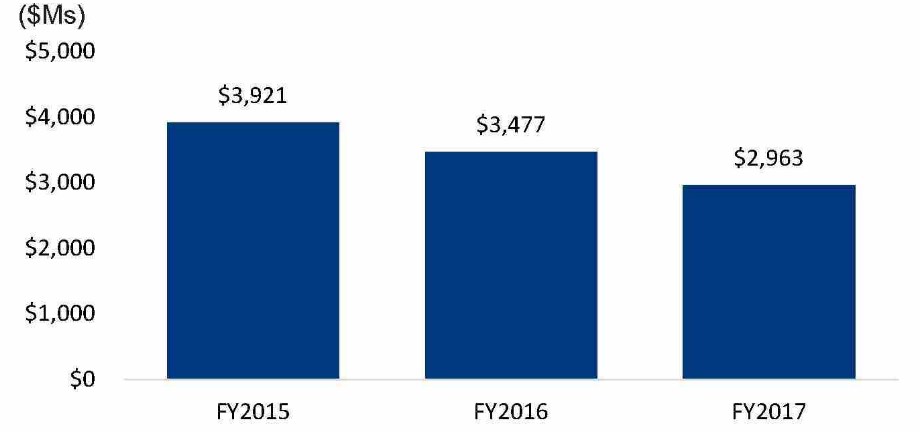
- Reject – will reject contract
- Eliminate – will not renew
- Reduce – will reduce spend
- Renegotiate – will need to negotiate new terms – we cannot just reduce
- Review – decision not made

Kenmore Business Summary

Business Overview

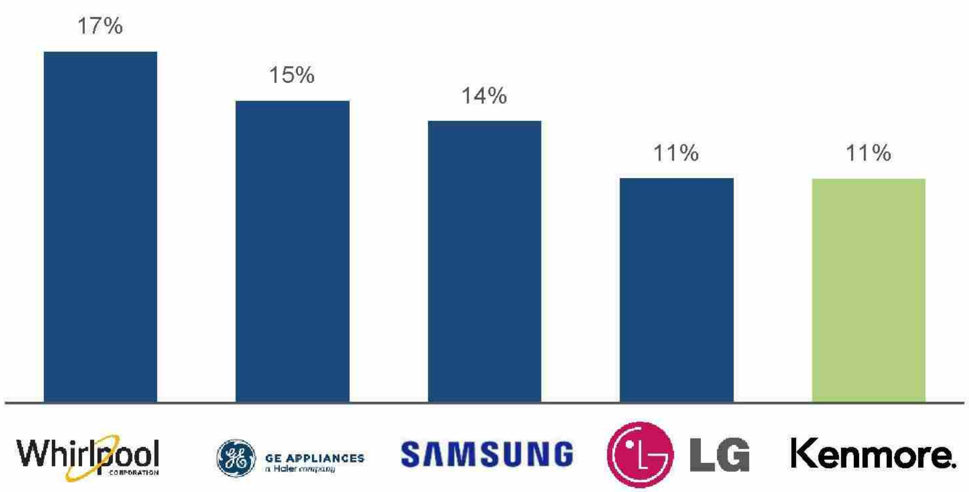
- Kenmore is broken into two business units
  - Major Home Appliance: Markets and sells refrigerators and freezers, laundry washers and dryers, cooking ranges and ovens, and dishwashers (#5 overall ranked leader in major appliances (11% U.S. sales share))
  - Small Appliance: Markets and sells small kitchen appliances, water softeners, electric air cleaners, vaporizers, vacuums, steam cleaners, room air conditioners, outdoor grills and over the counter microwaves
- The majority of its products manufactured via contracts with OEMs
- The majority of its current distribution via Sears-branded retail stores but with rapidly growing third-party distribution (e.g. Amazon)
- No. of Households: ~100MM as of 2017E (cumulative)

Historical Revenue[1]



Leading U.S. Market Share

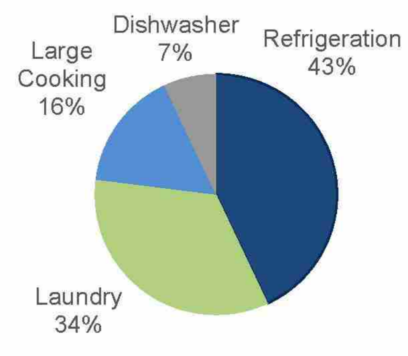
(2017E Sales Share by Brands, %)



Financial Overview

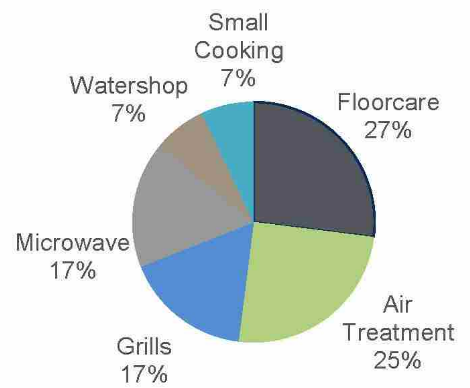
(LTM Dec 2017 Sales)

Major Home Appliance



$2.5BN in Sales

Small Appliance



$348M in Sales

(1) Gross retail sales per CIM – Kenmore records revenue based on gross retail sales (included in Hardlines) or its license revenue from Sears sales of Kenmore branded products and third party sales

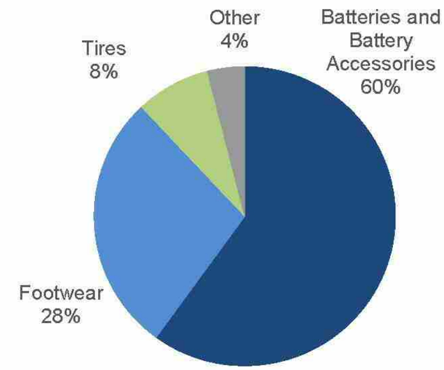
[DRAFT – Subject to Review]

DieHard Business Summary

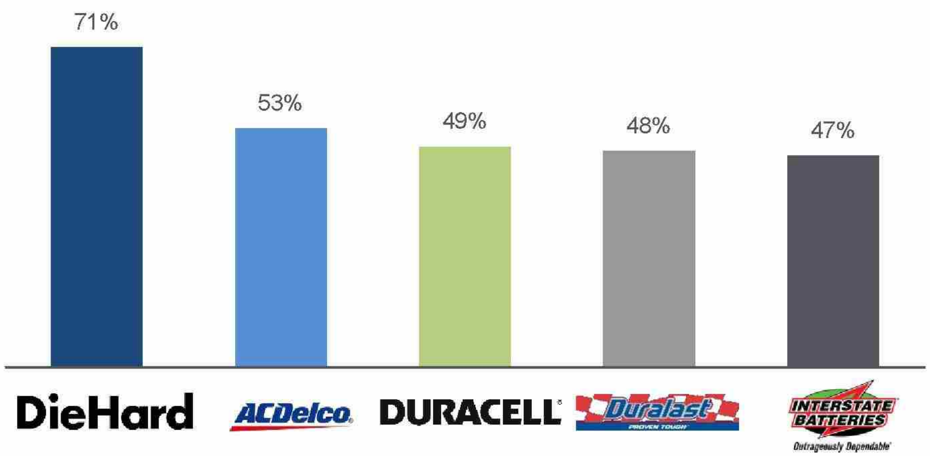
Business Overview

- Leading provider of power solutions since 1967
- Current U.S. sales share of 4% for vehicle batteries
- Products sold primarily through Sears channels, with select external retail distribution
- All products are manufactured by leading contract manufacturers, required to comply with DieHard high quality standards
- Well-balanced portfolio of vehicle batteries, with well-developed strategies for new product introductions in adjacent and peripheral industries
  - Adjacent (Power): Connected Lighting Solutions, Solar Power Solutions
  - Peripheral (Lifestyle): Rugged Wear, Extreme Wear

Revenue by Segment



Brand Awareness



Select Products

Vehicle Batteries

- Offered for Auto, Marine & RV, PowerSport and Lawn & Tractor

Vehicle Battery Back Up

- Various applications range from jumping a car battery to powering laptop within a car

Portable Power and Lights

- Categories include tool batteries, alkaline batteries, flashlights and LED lights

Work Boots

- High-performance boots, offered in both slip-ons and lace-ups

Tires

- Mid-Tier Passenger car tires manufactured by Kumho sold in SAC

Consumer Electronics

- Categories include Powerbanks, Chargers, Charging station, Phone cases and headsets

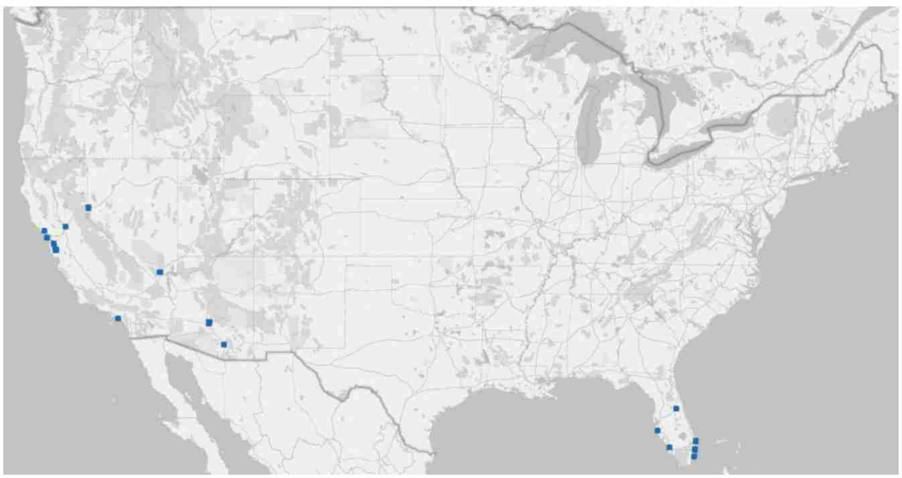
Monark Business Summary

Business Unit Overview

- Monark Premium Appliance Company and its affiliates form a nationwide distributor of premium home appliances that serve architects, builders, designers, developers and homeowners
- Monark represents a partnership between three leading distributors: Florida Builder Appliances, Westar Kitchen & Bath and Standards of Excellence
- Showrooms provide customers with premium cooking, cooling and cleaning appliances
- Monark operates within the larger Hardlines business
- Established June, 2015

Store Locations

20 showrooms across Arizona, California, Florida and Nevada



Select Brands

Alfresco
ASKO Inspired by Scandinavia
best
dacor
DCS by Fisher&Paykel
Electrolux
SAMSUNG
Scotsman
Speed Queen
SUB-ZERO
SUMMIT APPLIANCE
Thermador
U-LINE
VentAHood
VIKING PROFESSIONAL
GE
LA CORNUE
LG

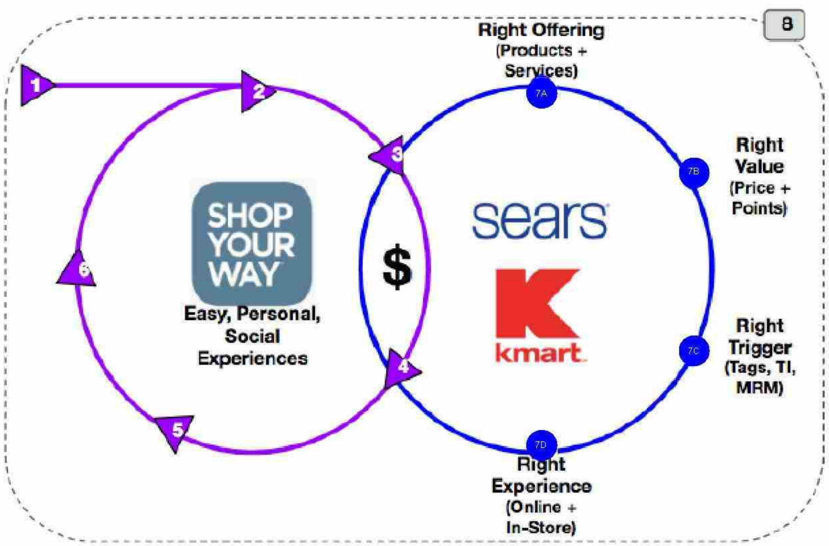
[DRAFT – Subject to Review]

ShopYourWay Business Summary

Business Unit Overview

- ShopYourWay (SYW) is an integrated B2C, B2B, and B2B2C platform that provides personalized data & insights, analytics, marketing and rewards capabilities to customers and partners
- Data and Insights platform draws on more than 100 billion data elements across 160 data sources and 4,000 variables enabling thousands of unique member segments
- Dynamic analytics engines & algorithms identify changes in behaviors, score members in real time, and power decisions through relevant marketing channels
- Targeted marketing capabilities optimize communications, offers, timing, and channel driving the desired member behavior
- Rewards program provides one currency earned across multiple partners to drive member loyalty

ShopYourWay and the Sears Ecosystem



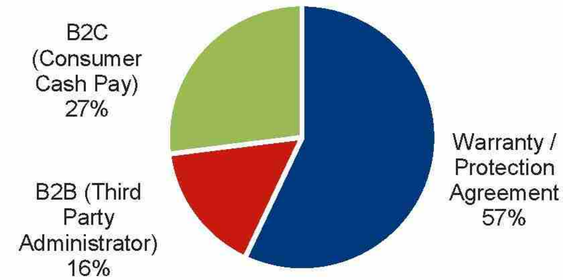
1. Compelling Value Prop + Easy Linkage drives sign-ups for programs, services, partners
2. Engagement in the ecosystem rewards members with SYW points and builds profiles for members
3. Personalization and Service platforms connect members to products and services
4. SYW Points and Partner Funding deliver value for members and create a multiplier/leveraged model for Sears/Kmart
5. Ecosystem Engagement provides feedback needed to expand / tailor the offering
6. Member Engagement / Redemption create more demand and performance for partners, which creates more opportunities for members and profitable growth
7. Journeys/ Categories creates and curate new product offerings (7a), develops the value proposition (7b), uses data to tag, target and deliver personalized offers (7c), and connects the online/instore experience (7d)
8. Markets Team drives the end-to-end system at a member, store, and community level, creating new capabilities for the go-forward integrated retail business

In Home Repair Overview

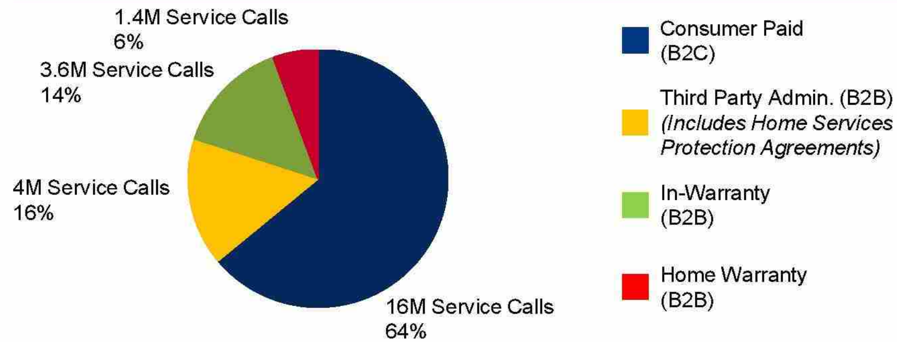
Business Overview

- In-Home Repair is a leading national provider of appliance repair services in the U.S.
- Provides B2C + B2B repair services for appliances, consumer electronics, outdoor power equipment, fitness equipment, power tools and HVAC systems under the Sears and A&E Factory Service brand names
  - Customers can book an appointment in-store or by phone / online and receive a preliminary diagnosis from trained professionals
  - Appliance repairs are covered by a 90-day satisfaction guarantee
- Approximately 4,500 trained in-house service techs complemented by over 800 independent contractor firms within 1099 labor network
  - Home Services has access to total network of 1.5M+ units of repair capacity via its 1099 network(1)
- Over 40% of technicians have more than 10 years of experience
- Provides services in 50 states, the District of Columbia, Guam and Puerto Rico through ~50 district locations and other support locations

In-Home Call Volume



Appliance Repair Marketplace



Top B2B Customers

American Home Shield, American Water Heaters, asurion, The Cross Country Group, Fidelity National Financial, First American, GE, LG, Lowe's, Nicor Gas (An AGL Resources Company), Samsung, Service Net, Warrantech, 2-10 Home Buyers Warranty

[DRAFT – Subject to Review]

Assurant is providing a 3rd party protection agreement solution to ensure SHC can continue to sell protection agreements to its members

Commentary

- Assurant has best overall economics (especially in the aftermarket), 3 year term, no upfront reserve payment, additional B2B service volume
- Pre-petition, we were collecting ~$12.5M of cash per week
  - Currently collecting ~$2.5M of cash per week due to suspended sales in 34 states
  - With Assurant solution, we will collect ~$3.5M-$4.0M of cash per week
- Margin impact over the life of a PA contract is $4 less than pre-petition
  - Year one (one time) 4x improvement to SHS PA contract EBITDA due to immediate revenue recognition; $8 increasing to $32 on a per policy basis
- Will be live in 39 states immediately after contract signing, final 11 states will have various timing depending on state procedures
  - Goal is to have all states live by Thanksgiving
- We will continue to use our existing programs, so no need for re-training or operational change other than collateral for term and conditions
  - Retail continues to get full commission on sales
- Sears Home Services retains ownership of the customer

Summary of Terms

No Underwriter						Assurant						
	Retail			Aftermarket			Retail - Sears				Aftermarket	
	Price	$200		Price	$144		Price	$200			Price	$144
25%	Loss cost	($49)	58%	Loss cost	($84)	25%	Loss cost	($49)		58%	Loss cost	($84)
100%	TLR	$0	100%	TLR	$0	90%	TLR	($5)		90%	TLR	($9)
	Dealer Net	($49)		Dealer Net	($84)		Dealer Net	($54)			Dealer Net	($93)
4%	Admin Reserve	($9)	10%	Admin Reserve	($15)	4%	Admin Reserve	($9)		10%	Admin Reserve	($15)
0.0%	Risk/UW/IPT Fee	$0	0.0%	Risk/UW/IPT Fee	$0	6.5%	Risk/UW/IPT Fee	($4)		6.5%	Risk/UW/IPT Fee	($6)
	Total Reserves	($58)		Total Reserves	($99)		Total Reserves	($67)	16%		Total Reserves	($114)
	Revenue (Initial Cash)	$200		Revenue (Initial Cash)	$144		Revenue (Initial Cash)	$133	-33%		Revenue (Initial Cash)	$30
50%	Retail	($100)	12%	Acquisition	($17)	50%	Retail	($100)		12%	Acquisition	($17)
	SHS (Excess)	$100		SHS (Excess)	$127		SHS (Excess)	$33			SHS (Excess)	$12
	Total Expenses	($58)		Total Expenses	($99)		Total Expenses	$0			Total Expenses	$0
100%	Profit Share	$0	100%	Profit Share	$0	80%	Profit Share	$4		80%	Profit Share	$7
	Home Services	$42		Home Services	$28		Home Services	$38	-11%		Home Services	$20
	Sears Total (excl 9.5% comm)	*$142*		*Sears Total*	*$28*		*Sears Total (excl 9.5% comm)*	*$138*	-3%		*Sears Total*	*$20*
	Margin %	*21%*		*Margin %*	*19%*		*Margin %*	*19%*			*Margin %*	*14%*

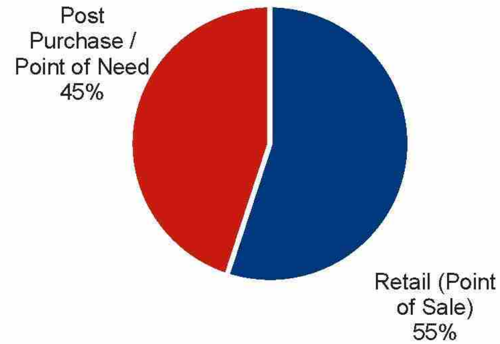
Service Contracts Overview

Business Overview

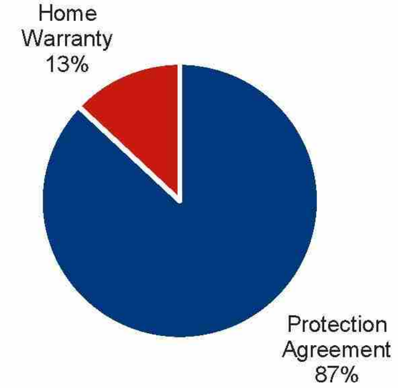
- Service Contracts: Leading national provider of service, replacement and home warranty contracts under the Sears, Kmart and A&E Factory Service brand names
- Two primary contracts: Protection Agreements and Home Warranty
  - Various coverage and term offers to meet customer repair and replacement needs
  - Contracts cover appliances, consumer electronics, outdoor power equipment, fitness equipment, power tools, HVAC systems and select other merchandise
  - In 2014, began offering the Sears Home Warranty Plan
    - Single protection plan that covers the repair or replacement of major home appliances and systems regardless of their age, brand or point of sale
- Contracts sold via SHC retail locations (point of sale) and through post purchase / point of need channels, including telemarketing, direct mail, In-Home Repair Services technicians and call center associates
  - Currently approximately 10M contracts in force
- In-Home: Provides repair services for appliances, consumer electronics, outdoor power equipment, fitness equipment, power tools and HVAC systems under the Sears and A&E Factory Service brand names
  - Approximately 5.2 million in-home repair and maintenance events performed for all major brands during 2017
- Will begin offer Protection Agreements underwritten by Assurant in the coming weeks

Portfolio Mix (Service Contracts)

By Origin

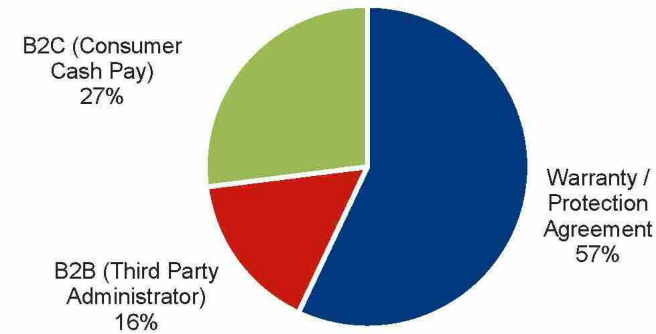


By Contract Type



In Home (by Repair Type)

(Represents call volume by type)



PartsDirect Overview

Business Overview

- PartsDirect provides repair parts & accessories for most major brand appliances, outdoor power equipment, water heaters and treatment to DIY consumers
- Primarily offer OEM approved replacement parts, with accessories and maintenance products driving incremental sales
- Peak sales period: March through September, coinciding with the Spring and Lawn & Garden season
- Core business in consumer space (via website and phone), with growing marketplace / third party

Channel Strategy

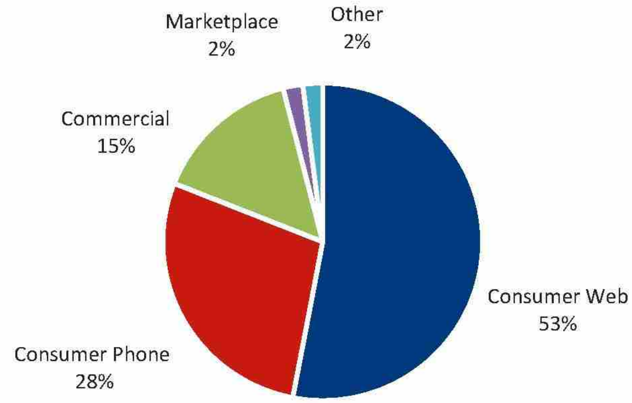
- Provide solutions via web, phone, commercial and third party marketplaces
- Fast-growing third party marketplaces (e.g., Amazon, eBay) primarily under the DIY Repair Parts brand
- Monetization strategy to leverage parts catalog
- Digital and social media marketing strategy driving increased visits to SPD.com and website rebuild improving conversion rate of users
- ~640 dedicated expert advisors located in 8 call centers assist consumers by phone

Customer / Need Overview

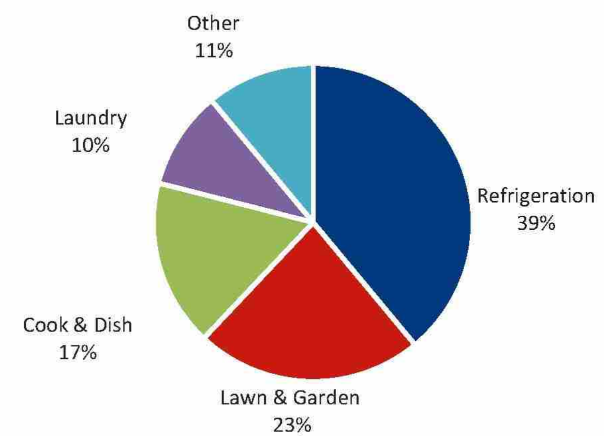
- 60% of customers primary reason for visiting site is to purchase a replacement part for their product (16% to research part replacement)
- 11.5% of purchasers are new to PartsDirect and 42% have done business with PartsDirect in the last 5 years

Portfolio Business Mix(1)

By Channel



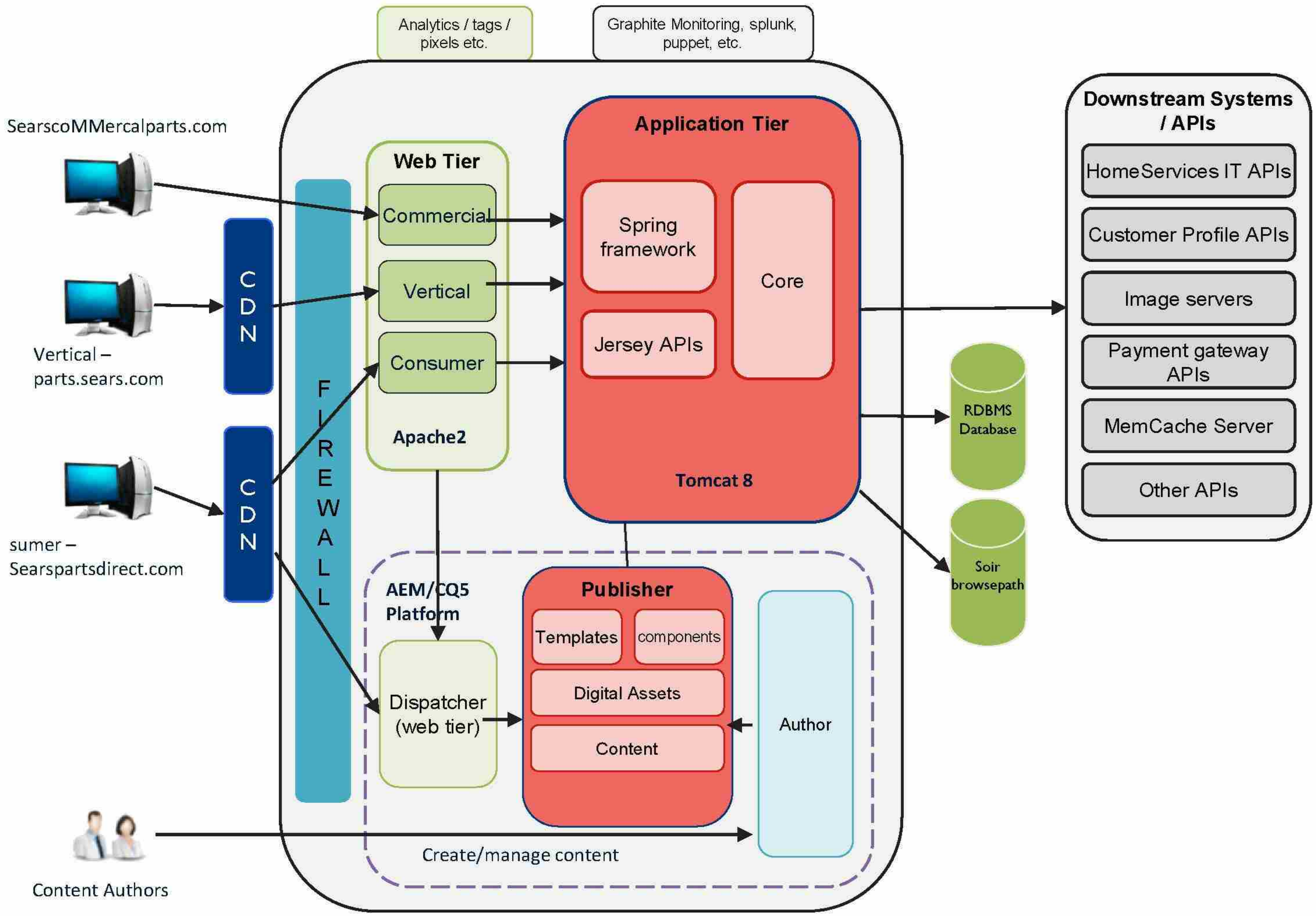
By Product



Note:
(1) As of FY2017

PartsDirect Existing Website Infrastructure

Current Site Architecture



Commentary

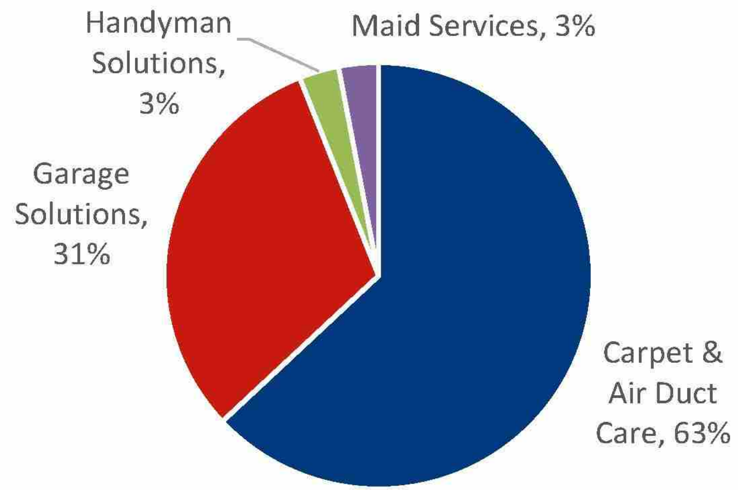
- Current application was built ~10 years ago
- Despite piecemeal improvement, legacy architecture limits delivery of fast and reliable business features
- Application is not scalable and also limited by on-prem infrastructure
- Application performance has been a lagging factor because of the old architecture
- Application is not resilient to downstream systems' outages
- Lots of inter-dependencies causes multiple failures

Franchise Overview

Business Overview

- Franchise services is a leading multi-service franchisor in the residential home service sector
- Services include carpet & upholstery care, air duct cleaning & indoor air quality, garage solutions, maid services and handyman solutions
- Franchise agreements are generally for a term of 10 years and are renewable
  - Revenue stream includes initial fee, royalty fee (6-10% of net revenue), monthly IT Support fee, renewal and transfer fee
- Franchise network managed through operational visits, phone calls, review of vendor statements and sales trends, customer satisfaction scores, background and insurance compliance and annual independent audits
- Over 390 active franchise territories across current franchise business models
  - In more than 375K homes annually
  - Approximately 76% service area coverage nationwide across business models
- In 2014, began offering handyman and maid services
- Approximately 40 corporate employees supporting the franchise network and branches
  - Functions include operations, IT, marketing and advertising, finance, customer service, R&D and search engine optimization
- Headquartered in Columbus, OH

Business Mix



Franchise Locations

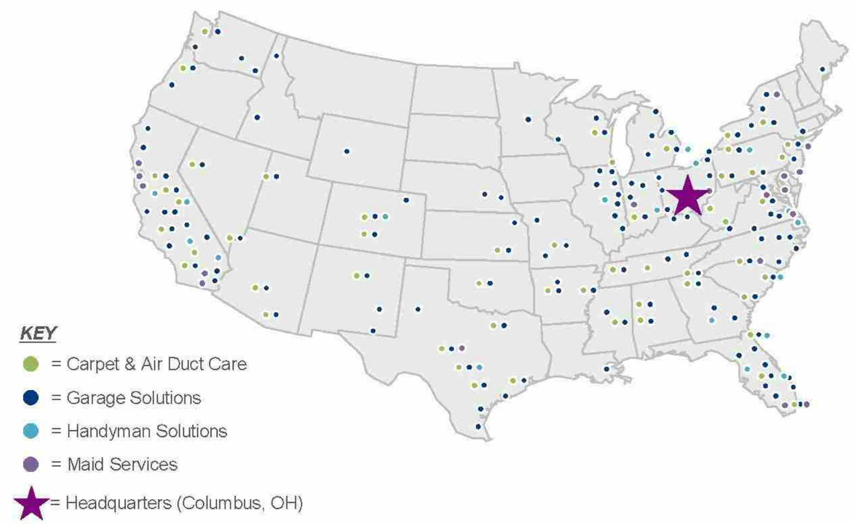


EXHIBIT B

Project Transform – Business Plan

January 2019

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I. Executive Summary

Executive Summary

- **ESL is pleased to present its go-forward business plan for NewCo which would achieve positive EBITDA in FY2019 through revenue growth initiatives, significant cost savings and strategic investments**
  - Base Case assumes Brick & Mortar SSS growth of -1% in 2019 based on its performance prior to filing, as well as 125bps of margin improvement
  - NewCo's Brick & Mortar 425 store footprint is projected to generate $338mm of EBITDA in FY2019 and continue on a positive trajectory thereafter
- **ESL believes that 425 strategic and geographically diversified Brick & Mortar locations is the optimal go-forward footprint which would achieve value maximization across the NewCo ecosystem**
- **Leveraging the synergistic network and interdependent ecosystem across the various NewCo business segments is key to unlocking the value of the franchise**
  - NewCo will leverage its state of the art Shop Your Way intelligence platform and integrated retail platform to deliver value and convenience to its members
- **Emerging from Chapter 11 with a right-sized and flexible balance sheet will enable NewCo to appropriately invest capital in attractive new opportunities**
  - Strategic initiatives include externalizing Kenmore, extending the Diehard brand, investing in the SHS platform, accelerating investment in Innovel technology, capex in select large format stores and expansion of the new small footprint concept

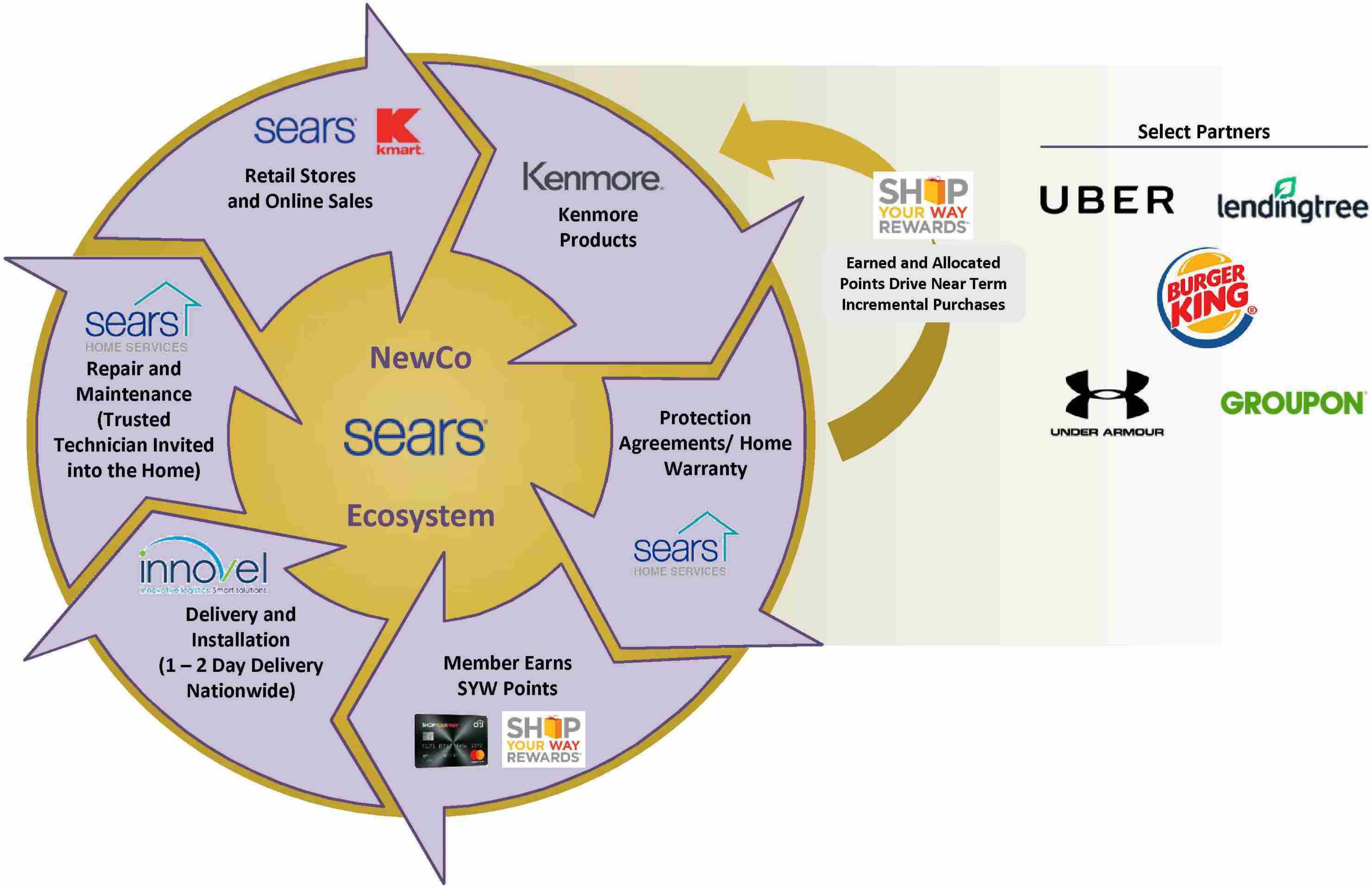
Executive Summary (Cont'd)

- **ESL, with input from Sears' management has worked to identify significant cost savings across both Corporate SG&A and Supply Chain expense line-items**
  - Run-rate expenses are currently $1.2 billion and are expected to be reduced to below $600 million by FY2019
- **ESL is actively looking for a CEO with a proven track record in effectuating large scale dynamic transformations**
  - Certain core operating business units require talent upgrades as these businesses have underperformed despite being positioned for leadership in their respective industries

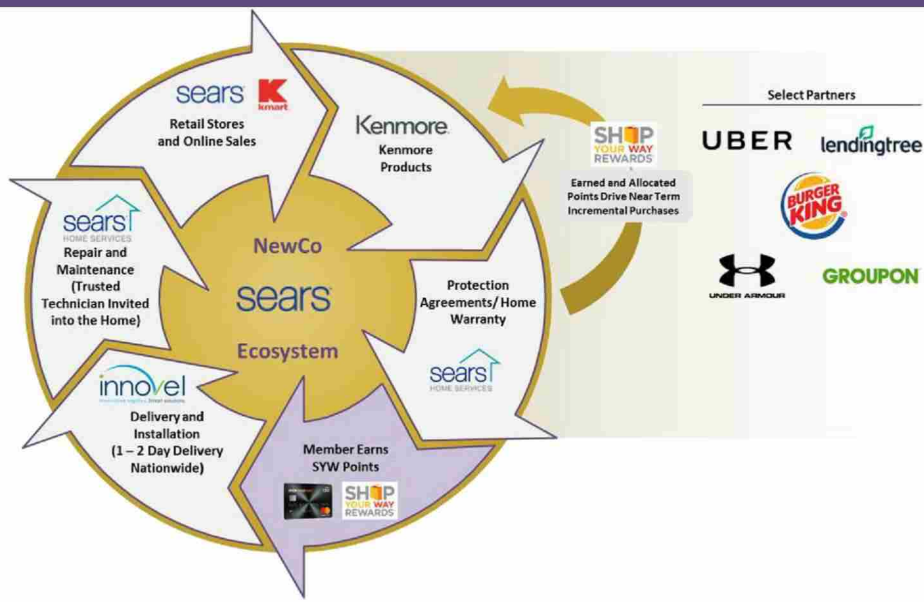
Why NewCo Will Be Successful

1. **Brand Recognition:**
   - Currently, Sears is the 3rd largest appliance retailer in the U.S. with a 15.3% market share
     - Lowes has 25.8% share; Home Depot has 17.1%; Best Buy has 13.7%
2. **Competitive Advantage:**
   - Sears is a leading B2C delivery & installation provider through its Innovel logistics business
     - Competitive advantage over other market participants with high barriers to entry
     - Amazon and others continue to seek to leverage Sears' capabilities through its Innovel network
   - Expansive Financial Services platform with profitable Citi credit card agreement and multiple avenues for continued growth under the partnership
3. **Ecosystem Value:**
   - Strong physical presence and unique locations to support the digital showroom concept - which is important on big ticket and considered purchases - combined with online penetration, home services, credit, and delivery capabilities make for a powerful network value proposition
4. **Strategic Initiatives:**
   - Increased focus and investment on a right-sized footprint should command higher market share and feed into the overall NewCo ecosystem
   - Ability to expand reach in hardline categories through scaling the small format concept
5. **Technological Advancements:**
   - Robust digital platform (SYW) which boasts 145mm total registered users including 49mm active users in the last 24 months, 33mm users in the last 15 months, and 15mm redeemers in the past 15 months
     - Personalize pricing capabilities at the member level driven by machine learning data and analytics platform

NewCo's Synergistic and Interdependent Ecosystem



II. Delivering a Highly Personalized Experience



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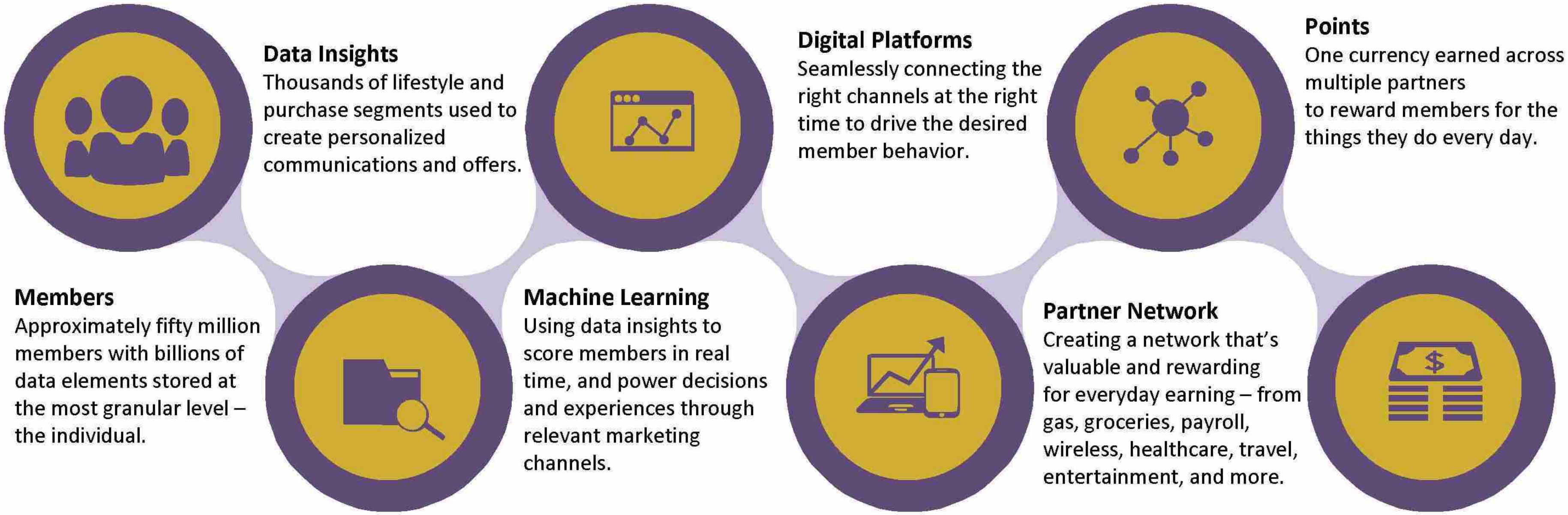
Shop Your Way
Integrating & Digitizing the Sears Platform

Shop Your Way is one of the most sophisticated data, analytics, marketing and rewards engine platforms in the United States. Its advanced data capabilities are the cornerstone of the new Sears experience.

KEY HIGHLIGHTS

- **Shop Your Way leverages unique analytical capabilities and corporate partnerships to create a robust member experience**
  - — Creating strong customer relationships is at the core of modern-day retail and building brand equity
  - — By leveraging Shop Your Way data, the Company can actively cater to the latest customer trends and effectively plan for the future in an agile manner
- **Shop Your Way provides substantial intelligence to Sears Brick and Mortar Business, as well as its other core operating businesses**



Members
Approximately fifty million members with billions of data elements stored at the most granular level – the individual.

Data Insights
Thousands of lifestyle and purchase segments used to create personalized communications and offers.

Machine Learning
Using data insights to score members in real time, and power decisions and experiences through relevant marketing channels.

Digital Platforms
Seamlessly connecting the right channels at the right time to drive the desired member behavior.

Partner Network
Creating a network that's valuable and rewarding for everyday earning – from gas, groceries, payroll, wireless, healthcare, travel, entertainment, and more.

Points
One currency earned across multiple partners
to reward members for the things they do every day.

Shop Your Way

SYW Offers a Large Network of Members Value Everyday

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Membership at a Glance

49 MILLION
24 MONTH ACTIVE MEMBERS

33 MILLION
15 MONTH ACTIVE MEMBERS

15 MILLION
MEMBERS REDEEMING POINTS – 15 MONTHS

Earn Points For Everyday Goods

Mobile
Subscriptions
Dining
Grocery

SHOP YOUR WAY
REWARDING MEMBERS THROUGH SYW POINTS EVERYDAY

Fuel
Travel
Retail
Entertainment
Financial Services

Spend with Key Partners

UBER
lendingtree
BURGER KING
UNDER ARMOUR
GROUPON

Shop Your Way

The ShopYourWay Framework For Success

SYW is built around a triumvirate framework focused on (i) Essentials (ii) Gift Giving and Celebration, and (iii) Considered Purchases

Focus Areas + **Member Journey** + **Member Experience**

Focus Areas

Essentials

- Prepared foods
- Wine / Beer
- Coffee / Tea
- Snacks
- Household Consumables

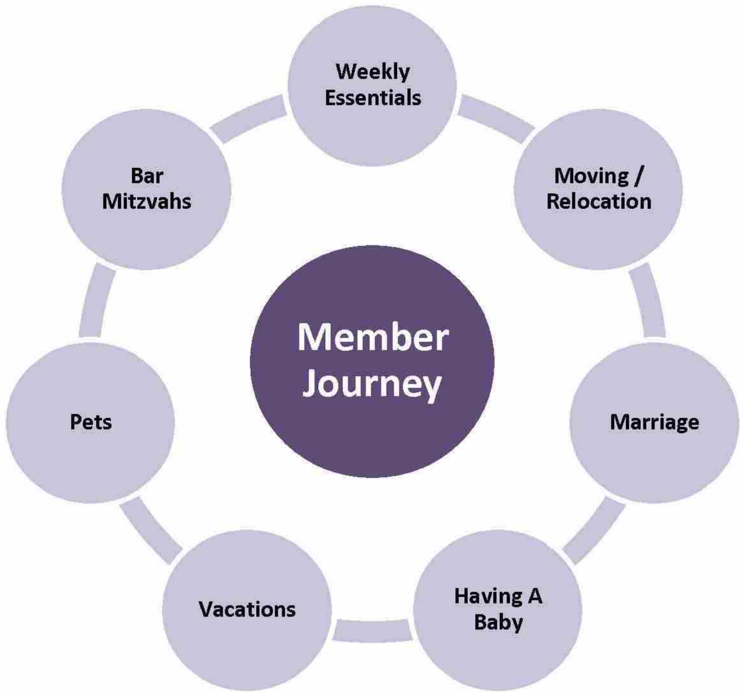
Gift Giving and Celebration

- Birthdays
- Anniversaries
- Graduations
- Weddings
- New Baby

Considered Purchases

- Refrigerators
- Washing Machines
- Dishwashers
- Fitness Equipment

Member Journey



Member Experience

Stores	Sales Associates
Call Centers	Personal Shoppers
Websites	Home Services Technicians
Email	Delivery & Installation Services
Credit Card / Payments	Points Awards & Redemptions

Machine learning capabilities embedded in the SYW architecture will allow the Company to deliver an unrivaled consumer experience

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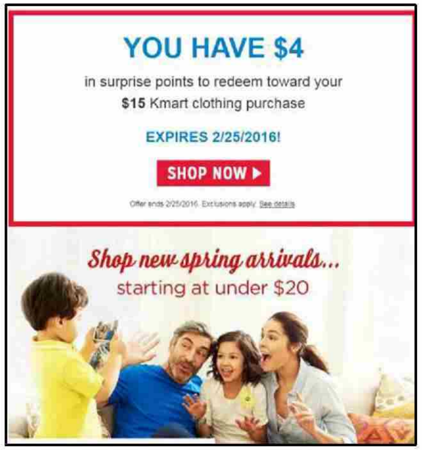
Targeted Offers
SYW Capabilities

Target Member Offers

- Through the use of Targeted Offers through various members-facing channels such as email, text, and app experiences, SYW has the ability to cater individual member level offers at a broad level such as format (Sears & Kmart) or the ability to target directly to an individual item level (a specific model of refrigerator)
- This allows for the ability to drive a behavior/purchase at a member level and not allow for the remaining population of shoppers to be given a discount/points that does not drive an incremental trip or spend thus creating a higher ROI

Targeted Offer



- Targeted based on propensity and members value able to scale up and down to control investment

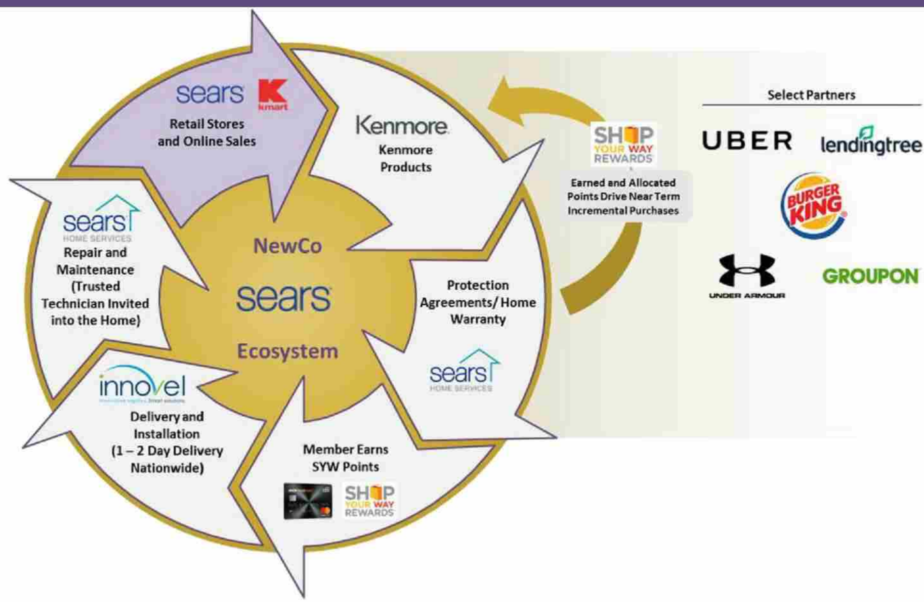
vs.

Mass Offer

Friday and Saturday Only

- Offer available to all regardless of intent - higher incremental need to breakeven

III. Retail Footprint



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Retail Footprint
Overview

NewCo boasts an attractive footprint with geographically diversified assets including retail, industrial and office assets

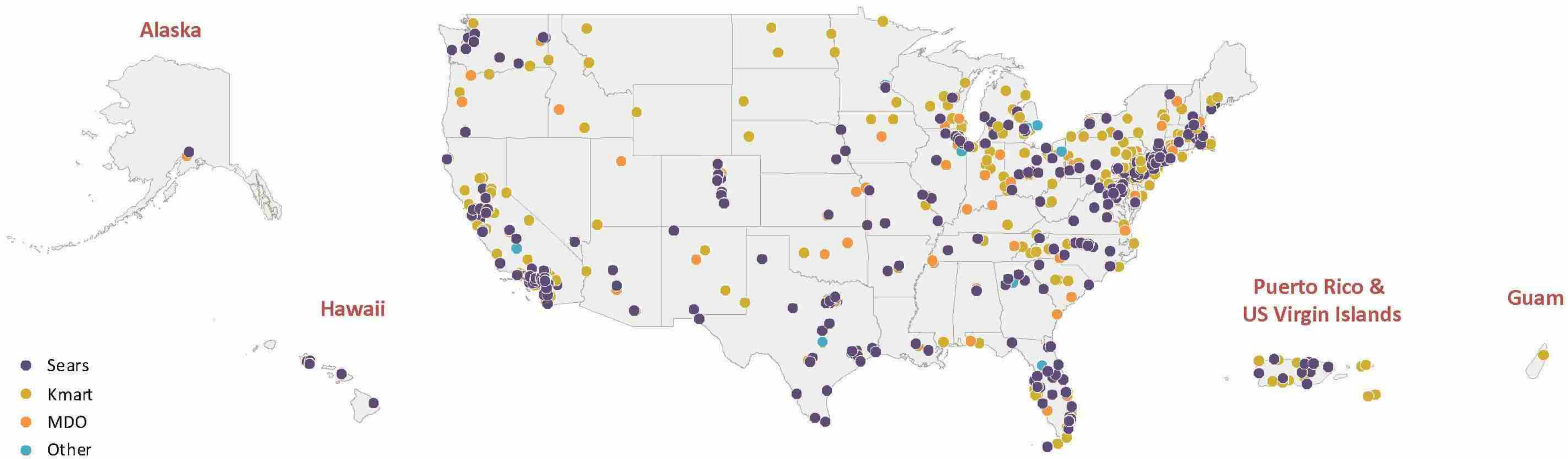
Overview & Criteria for Selection

- 425 retail locations diversified across all 50 U.S. states including Puerto Rico and Guam
  - Associated with the 425 retail locations are 196 Sears Auto Center ("SAC") locations, 6 standalone SAC locations and the DC and MDO (Market Delivery Operations) network
- Majority of footprint has remained EBITDA positive since 2013
  - 2013A EBITDA[1] of $580mm
- Hoffman Estates headquarters included in the portfolio (~2.275mm sq. ft)

Footprint Breakdown

Type	Amount of Properties
Sears	223
Kmart	202
Total Retail	**425**
SAC (Including Standalone)	196
Pharmacy	89
Supply Chain	119
Sears Home Services	48

NewCo Footprint



1. Includes SAC performance at the 4-Wall
2. Includes 22 Direct Distribution Centers and 1 Conveyable Supply Chain Facilities
3. Includes 2 Pad Centers, 1 Central Return Facility and 3 PS Central Services

Retail Footprint

Overview (Cont'd)

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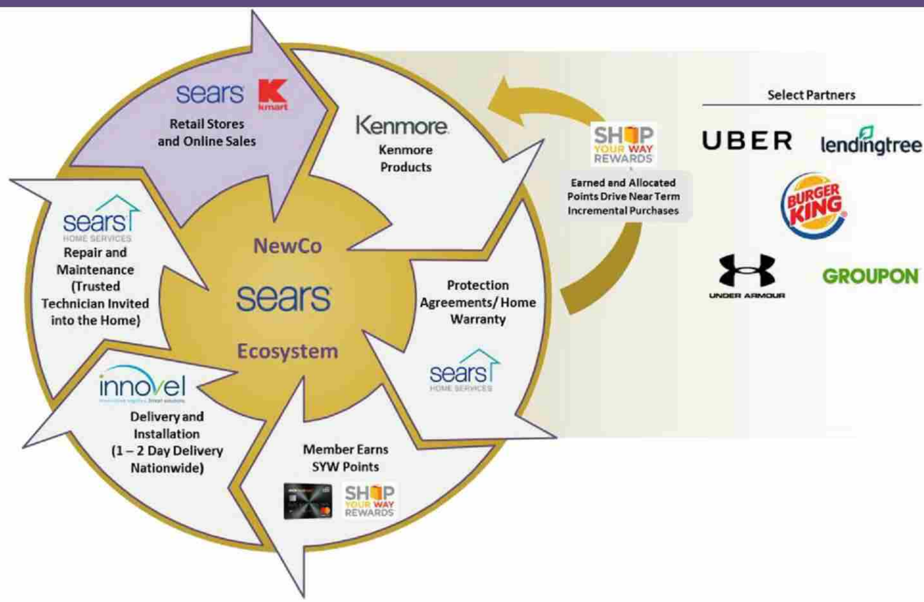
Real Estate Breakdown

($ in 000's)	Property Count	Total Square Feet	Appraised Lit Value	Appraised Dark Value
Owned				
Sears	78	12,626,759	$781,780	$524,625
Kmart	12	1,298,102	135,452	98,400
Total Owned	**90**	**13,924,861**	**$917,232**	**$623,025**
Ground Lease				
Sears	51	8,450,184	$562,850	$218,400
Kmart	14	2,071,316	39,790	14,000
Total Ground Lease	**65**	**10,521,500**	**$602,640**	**$232,400**
Leased				
Sears	94	12,766,836	$310,032	N/A
Kmart	176	16,315,242	155,781	N/A
Total Leased	**270**	**29,082,078**	**$465,813**	**N/A**
All Properties	**425**	**53,528,439**	**$1,985,685**	**$855,425**

Note: Appraisals by Cushman & Wakefield

IV. Small Store Footprint



Small Store Footprint
Investment Highlights

NewCo intends to increase investment in the smaller footprint strategy as it reduces its large box footprint

Store Overview

- The Company has recently been testing the concept of opening smaller footprint digital stores, marketed as "Sears Appliances" to leverage and highlight their most popular and profitable categories
  - Small footprint stores range from 7,000 – 20,000 sq. feet, while typical Sears locations average ~138,000 sq. feet
    - Allows the company to substantially reduce rent expense and personnel costs
    - On-demand inventory helps the Company improve its cash conversion at the retail level
  - Locations have successfully opened in Texas, Colorado, Hawaii and Pennsylvania
  - Most orders are placed on demand and can be shipped to customers or store locations
  - Stores specialize in selling appliances, but also offer the ability for consumers to order all Sears products in-store
- Locations offer interactive displays and trained experts to assist customers with their appliance & non-appliance needs

Small Store Footprint

Expansion of Small Footprint

Business Overview

- Store size: 7,000 to 20,000 sq/ft (leased)
- Local personalized shopping experience benefiting the community through the Sears and ShopYourWay ecosystem
- Products & services tailored to the community:
  - Home Appliances
  - Home Services (Repair, Parts, Home Improvement)
  - Connected Solutions (IoT products)
  - Financing options for every member
    - ShopYourWay 5-3-2-1 card
    - Leasing
    - Layaway
  - Shop Your Way Products and Services
  - Mattresses (when over 10k ft^2)
  - Other community relevant products when space permits and based on local demographics and needs (seasonal product, tools, fitness, etc.)
- Highly trained consultative experts that focus on helping customers with
- large purchases and home solutions
- In-home support and consultation
- Unlimited service opportunities and solutions; Service Live

Financial Summary (2018E)

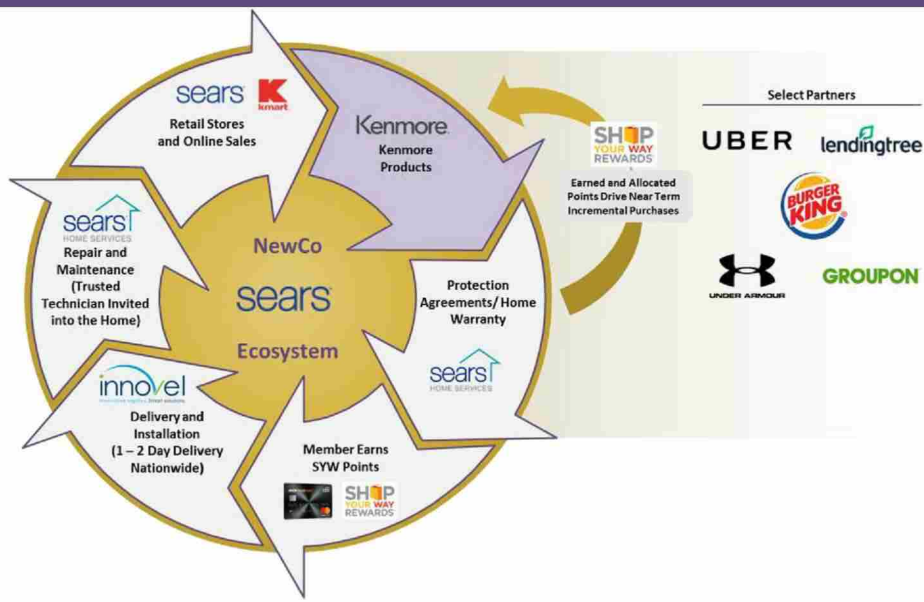
(4 Operating Stores), Proof of concept

($000s)	2018F
Sales	$23,882
Gross Margin	**7,435**
GM%	*31%*
Operating Expenses	5,557
EBITDA	1,878
EBITDA %	*8%*
EBITDAR	3,065
EBITDAR %	*13%*
IRR	36%
Payback	**3.75 yrs**

Description	Store Economics
Gross SF	7,000 to 20,000
Selling SF	6,750 to 18,000
Annualized Sales	$4m - $8m
Sales per/GSF	$400 - $500
EBITDA $	$.4m - $1.0m
EBITDA %	~8%
EBITDAR $	$.6m - $1.4m
EBITDAR %	~13%
Capital Investment	$1.4m - $1.8m
IRR	30% - 60%
Payback	3 - 4yrs

V. Core Operating Businesses

A. Kenmore


sears
kmart
Retail Stores and Online Sales
Kenmore
Kenmore Products
Protection Agreements/ Home Warranty
sears HOME SERVICES
Member Earns SYW Points
SHOP YOUR WAY REWARDS
innovel
Delivery and Installation (1 – 2 Day Delivery Nationwide)
sears HOME SERVICES
Repair and Maintenance (Trusted Technician Invited into the Home)
NewCo
sears
Ecosystem
SHOP YOUR WAY REWARDS
Earned and Allocated Points Drive Near Term Incremental Purchases
Select Partners
UBER
lendingtree
BURGER KING
UNDER ARMOUR
GROUPON

Kenmore
Value Creation

How Do We Get There	Relationship to Store Network	Attributes of the Right CEO
▪ Establish diversified sourcing partnerships ▪ Externalize the brand beyond Sears and Amazon ▪ Invest in innovation particularly with respect to connected living solutions ▪ Evaluate merits of an OEM strategic alliance	▪ Leading appliance brand attracts customers to Brick + Mortar locations ▪ PA revenue stream directly connected to Brick + Mortar P&L ▪ Kenmore appliances are focal point of small footprint stores	▪ Proven track record of forging strong partnerships in an industry with few players ▪ Strong deal maker ▪ Understands technology and specifically innovations that enable customer convenience

Peer Benchmark

- **Public comparables (EV/2018E EBITDA)**
  - Haier (9.0x)
  - Whirlpool (7.6x)
  - Arcelik (7.4x)
  - Electrolux (6.1x)
- **Precedent Transactions**
  - Jan 2016: Haier acquired GE Appliances for ~10.0x LTM EBITDA
  - Sep 2014: Electrolux bid for GE Appliances for 7.2x LTM EBITDA (withdrawn)
  - Aug 2005: Whirlpool acquired Maytag for 8.3x LTM EBITDA

Kenmore
Investment Highlights

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Kenmore

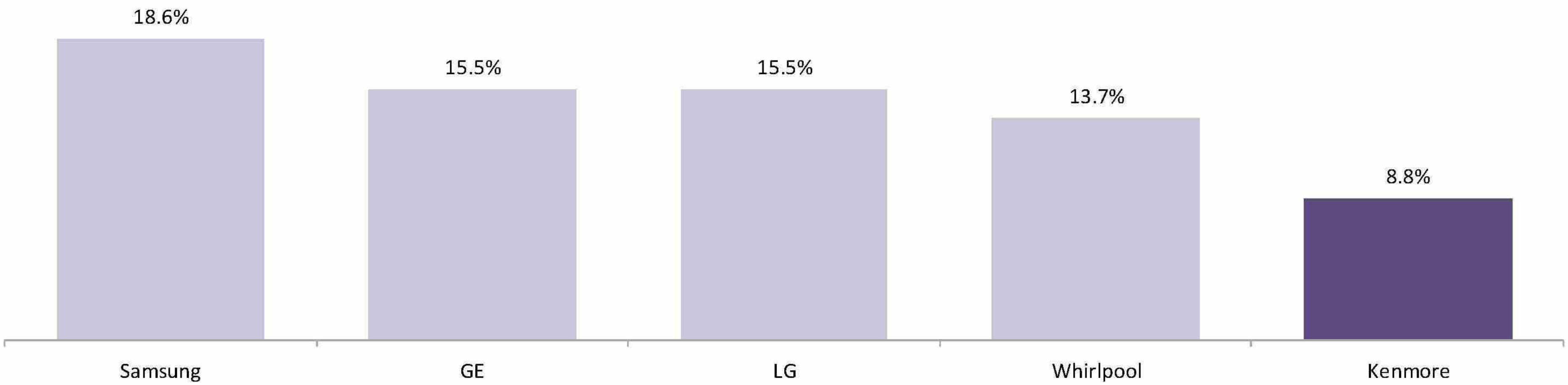
	Highlights	Externalization and Other Opportunities for Partner
1 Iconic American Brand that is Synonymous with Quality	▪ Earned 7 "Best of 2018", 4 #1 Products, 3 "Top Ten" and 2 "Best Buy" awards from Consumer Reports in 2018	▪ Further expand and externalize an already established, iconic American brand
2 Industry Leadership in Major Appliances	▪ Significant market share despite Sears performance and capital constraints	▪ Recover share recently ceded as result of Sears store closures and comp sales performance
3 Access to a Robust National Distribution Platform	▪ Robust distribution and service platform supported by Sears service network (Innovel and Sears Home Services) ▪ Successful nationwide launch of major appliances on Amazon.com (first in the industry)	▪ Accelerate externalization through other channels outside of Sears (e.g. mass discounters, big box specialty, online)
4 Delivering Turn Key Solution to Retailers	▪ Partnership with Innovel and Sears Home Services enables scalable, national network for "one-stop-shop" and "purchase-everyday use-replacement" coverage ▪ Success on Amazon.com demonstrates "Turn Key" potential for external channel expansion	▪ Drive Amazon and future external retail partnerships with last-mile "through-the door" delivery and expert installation services
5 Significant Opportunity from Connected Home Strategy	▪ Access to key data on customers' usage patterns and preferences across entire nation through smart products ▪ Smart data collected facilitates new targeted offers (for customer retention), after-sales service leads and other revenue opportunities	▪ Gain sales, after-sales leads and other revenue opportunities generated by data from smart products ▪ Expand into other adjacent areas of home automation
6 Track Record of Successful Innovation	▪ A long history of successful product launches with patented intellectual property ▪ Strong product development pipeline with more than 290 new product launches in last two years	▪ Expand R&D efforts and Innovation through strategic OEM partnership
7 Strategic Supply Chain Relationships with Leading Vendors	▪ 3 of 4 major OEM agreements secured through 2020 with 1 key OEM negotiation expected to conclude shortly	▪ 1 of 3 major vendors secured through 2020, with other two key vendor negotiations expected to conclude in Q3 2018

1. Based on IBISWorld data

Kenmore
Industry Leader in the U.S.

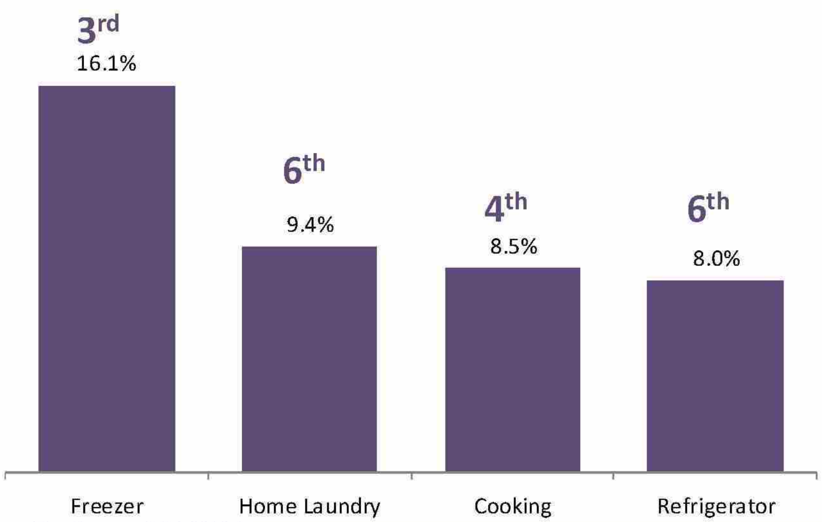
Kenmore is a Leading Brand in the Overall U.S. Major Appliance Category Despite its Constrained Distribution to Date …

(Q1 2018A Sales Share by Brands, based on major appliance category)



… and the Only Major Brand to be Successful Across Product Categories

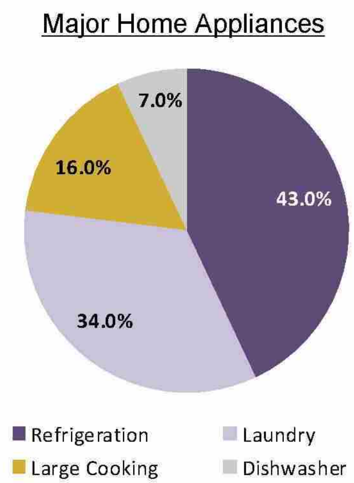
Kenmore Market Share Across Industries (Q1 2018A)

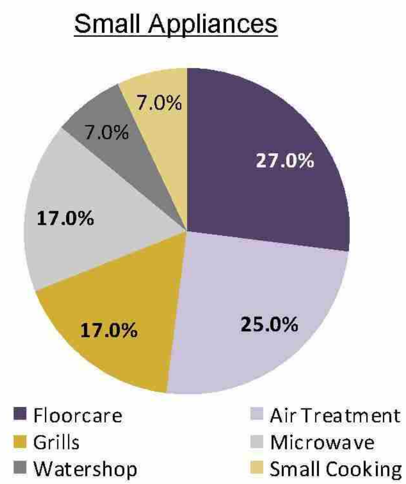


Source: Traqline as of Q1 2018 A

Financial Overview

(LTM Dec 2017 Sales)





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Kenmore

An Integrated Consumer-Focused Business Model

Provides an end-to-end solution throughout the entire value-chain that is unmatched in the major appliances industry and encourages brand-loyalty

Consumer-Focused Business Model

✓	Kenmore/Sears
✗	LG
✗	Samsung
✗	Whirlpool
✗	General Electric/Haier
✗	Home Depot
✗	Lowes
✗	Amazon

Retail Stores and Online → Innovel Delivery and Installation → SHS Protection Agreements → SHS Home Maintenance → Consumer Replacement Need

Kenmore is the only major appliance brand which can deliver an end-to-end suite of customer products and related services

Amazon Case Study

- Sears began distributing Kenmore products through Amazon in 2017
- Retail demand for Kenmore products on Amazon is growing rapidly since launch
- Warehousing, delivery and installation network has scaled to nationwide coverage as of March 2018
  - Turn Key model outlined on earlier slides is fully-implemented and delivering high-quality customer service above expectations
  - Consistent Net Promoter Score >75%
  - >97% on-time delivery within three-hour slot (day and time) selected by customers at checkout
- Sears has also leveraged this Turn Key model for other Sears products and brands (e.g., DieHard tires, batteries and battery accessories)
- Kenmore, Innovel and SHS are prepared to rapidly expand the Turn Key model to other retail accounts

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Kenmore
Growth Strategy Overview

External Channel Growth

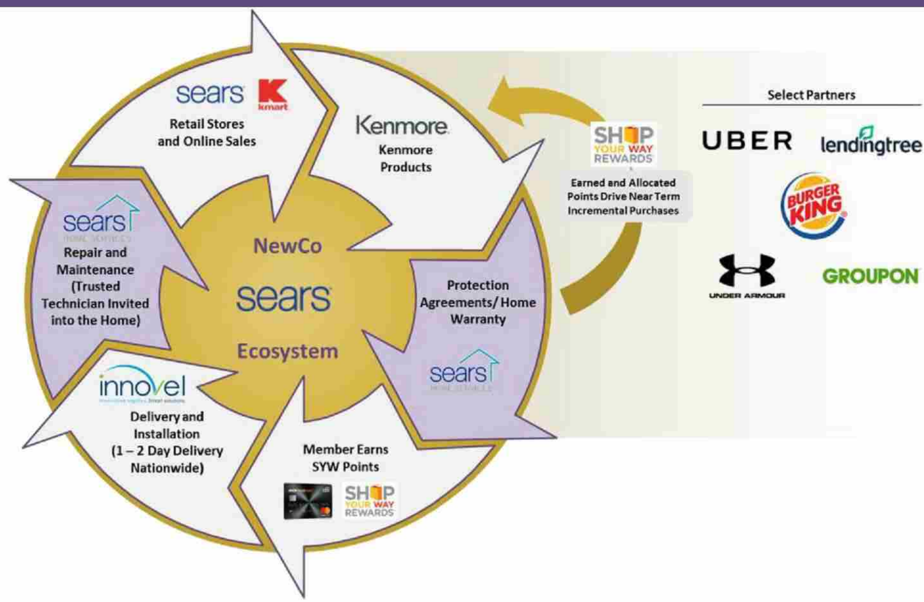
- Amazon partnership driving non-Sears Kenmore business
- Success of Amazon partnership clearly demonstrates:
  - Kenmore brand strength and product quality
  - Innovel's market leading white product delivery capabilities
  - Market opportunity for externalizing Kenmore sales
- Kenmore is evaluating other potential external partnerships with online and traditional retailers (regionals and nationals)
- External growth will improve brand awareness for younger consumers and create a virtuous cycle improving internal sales
- The Turn Key licensing solution could be leveraged to expand Kenmore into other retailers

Kenmore Smart Platform

- Kenmore is committed to including connectivity features on 100% of powered appliances
  - As of May 2018 thirty-five Kenmore major appliance models include Smart features
  - Kenmore has a robust pipeline of connected products in key categories coming to market
- Proprietary Capabilities
  - Platform is significantly easier to set-up compared to competitors
  - App allows users to experience the benefit of connectivity
  - Cloud provides information and analytics for future product development and generates an opportunity for downstream revenue through integration with online retailers and emerging voice-activated retail platforms (e.g. Amazon Alexa, Google Home, Apple Home Kit)
- Increasing penetration of connected appliances will provide downstream revenue opportunities for Kenmore, either through vertical or affiliate business models

Source: Company management.

B. Sears Home Services



Sears Home Services

Value Creation

How Do We Get There

- Expand the solution set beyond appliance repairs (electric, plumbing, etc.)
- Transform the brand to stand for expertise in connecting the home
- Become the Chief Information/Operator Officer of the home
- Leverage Service Live capabilities to become the Uber platform for Home Services

Relationship to Store Network

- Trusted repair and installation company attracts a loyal customer to the Brick + Mortar store base
- Intimate appliance and protection knowledge is key to owning the customer lifecycle

Attributes of the Right CEO

- Understands platform businesses and connectivity of supply and demand
- Proven leader in transformation (need to transform into a 21st century customer solution technology driven business)
- Experience in both B2B, B2C and B2B2C
  - E.g. Partnership with ABC apartment management company which in turn connects Sears to renters

Peer Benchmark

- No national competitor
- **Public comparables**
  - ANGI Homeservices Inc. (~9bn Market Cap; ~33x TEV / 2018E EBITDA)
- **Precedent Transactions**
  - Recent spin-off of Frontdoor (American Home Shield)
    - $2.6bn EV and $2.0bn market cap
    - LTM EBITDA of $237mm
    - TEV / EBITDA of 11.0x

Sears Home Services

Investment Highlights

Total Addressable Home Services Spend is ~$270B[1]; SHS Is Positioned to Expand Services to Customers via a Comprehensive Nationwide Network

1 Difficult-to-Replicate National Repair Network	▪ Leader in national appliance repair, utilizing Sears brand and A&E Factory Service (white label) workforce to complete ~5.2M repairs 2017 ▪ Approximately 4,500 trained in-house service technicians complemented by over 650 active independent contractor firms within a 1,099 labor network
2 Highly Attractive, Fragmented Marketplace with Strong Growth Potential	▪ SHS is a leader in a fragmented marketplace ▪ ~$270B[1] total spend with 250M+ service events per annum; SHS directly participates in three-fourths of total available marketplaces ▪ Opportunity to further penetrate households within existing service capabilities and expand coverage by entering new service verticals
3 Comprehensive Suite of Home Services	▪ Complete services suite to attract business at point of sale (Protection Agreements), point of need (Home Warranty), DIY (Parts Direct) and full spectrum of in-home remodeling and maintenance services (Home Improvement and Franchise) ▪ Broadest diversity of offerings across competitive landscape
4 Industry-Leading Selling Capabilities / Conversion	▪ Superior training of customer-facing associates across sales channels ▪ Effective access to customers with robust retail and post purchase / point of need Protection Agreement ("PA") and Home Warranty selling network ▪ Attractive service contract attachment and best-in-class lead generation and customer conversion
5 Attractive Customer Demographics	▪ SHS caters to a diverse base of commercial and residential customers ▪ Provides fulfillment services for industry-leading retailers, OEMs and financial service firms ▪ Core residential customers are primarily affluent, married homeowners
6 Strong Operational Expertise and Scalable Infrastructure	▪ 125-year history of providing highest quality services ▪ Infrastructure investment in place to support future growth of service network ▪ 5-star customer ratings

sears HOME SERVICES

1. Based on IBISWorld data

Sears Home Services

Industry-Leading Products, Services and Fulfillment Capabilities

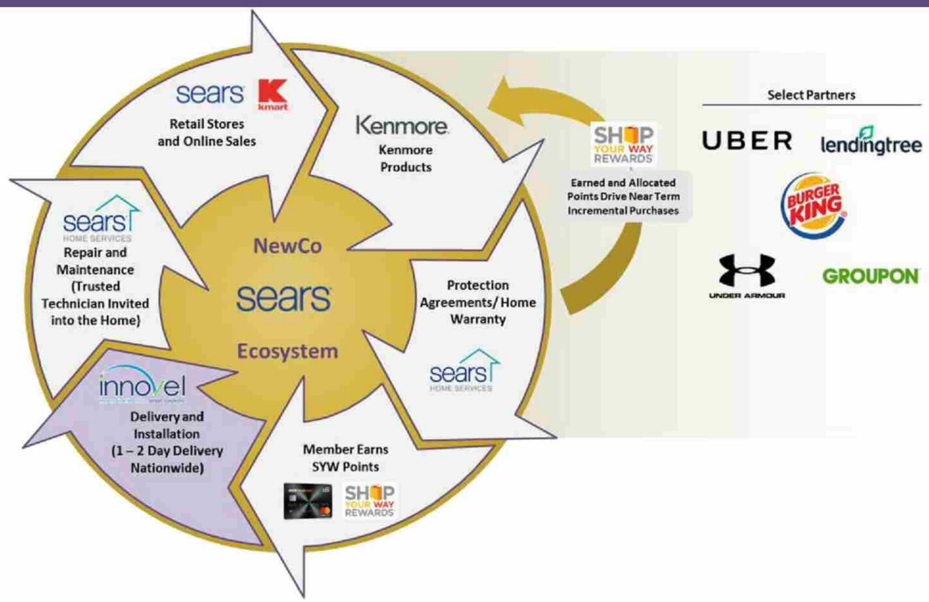
Sears Home Services ("SHS") provides repair services and service contracts for appliances, electronics, outdoor power equipment, residential heating & cooling systems, power tools and fitness equipment

	SHS					How SHS Adds Network Value
Current Services Portfolio	**Protect (Service Contracts)** ▪ Protection Agreements ▪ Home Warranty ▪ Replacement Plans	**Fix (In-Home Repair)** ▪ In-Home Service & Repair	**Do-It-Yourself ("DIY") (Parts Direct)** ▪ Parts Sales	**Maintain (Franchise)** ▪ Carpet & Upholstery Cleaning ▪ Duct Cleaning ▪ Floor & Tile Cleaning ▪ Handyman & Maid	**Improve (Home Improvement)** ▪ Roofing, Siding, Windows ▪ Bath, Kitchen ▪ HVAC Service & Install ▪ Flooring & Garage Doors	▪ Continued customer relationship ▪ Provides opportunity for after market value ▪ Opportunity for technicians to make incremental sales

Utilizing an end-to-end customer solution across a suite of services & product offerings is central to the broader Sears strategy

Source: Company management

C. Innovel


Retail Stores and Online Sales
Kenmore Products
Earned and Allocated Points Drive Near Term Incremental Purchases
Select Partners
UBER
lendingtree
BURGER KING
UNDER ARMOUR
GROUPON
NewCo
sears
Ecosystem
Protection Agreements/ Home Warranty
Member Earns SYW Points
Delivery and Installation (1 – 2 Day Delivery Nationwide)
Repair and Maintenance (Trusted Technician Invited into the Home)

Innovel
Value Creation

How Do We Get There

- Accelerate BD process to drive 3rd party business
- Leverage DC/MDO facilities to expand into other categories beyond bulky goods
- Build/Buy/Partner to bring robotics technology into DCs/MDOs to drive efficiencies
- Merger or IPO candidate

Relationship to Store Network

- One of a few logistics companies with cross-country, 2-day last mile fulfillment capabilities
- Creates customer convenience and draw to Brick + Mortar locations

Attributes of the Right CEO

- Extreme customer experience focus
- Data driven decision making and operational excellence
- In depth knowledge of 3 PL markets (first, middle and last mile)
- Proven track record in closing new business

Peer Benchmark

- **Public comparables**
  - XPO (~$11bn Market Cap; ~9x TEV / 2018E EBITDA)
  - CHRW (~$12bn Market Cap; ~14x TEV / 2018E EBITDA)
- **Precedent Transactions**
  - HD Investment of $1.2bn over 5 years
  - 2018 Ryder acquisition of MXD for $120mm at a 15x multiple

Innovel
Investment Highlights

Innovel has ample room for organic, profitable growth via externalization and footprint optimization

1 Difficult-to-Replicate National Distribution Network	▪ World-class distribution network, utilizing 11 up-to-date distribution facilities and 108 MDO facilities, collectively occupying ~9.3mm square feet and over 500 acres ▪ Approximately 2,200 employees and strong relationships with third party carriers, enabling industry-leading delivery times ▪ Strategically located footprint catered to middle mile and last mile fulfillment for store network
2 Ability to Strengthen Member Relationships	▪ Superior instillation capabilities offers opportunity to develop stronger customer relationships and brand equity ▪ Can further leverage in-home instillation assignments to cross-sell additional Sears related products (e.g. protection agreements, Shop Your Way Credit Cards and Home Services offerings)
3 Attainable 3rd Party Revenue Opportunity	▪ Revenue externalization process has launched with success, quickly entering into new contracts with blue-chip clients ▪ Substantial capacity, especially with a right-sized store footprint, will allow for quick integration of 3rd party customers ▪ Highly-trained network of instillation and delivery professionals offers opportunity to expand into adjacent instillation services for 3rd party clients ▪ By 2021, total volume is expected to increase by ~80% from 2.9mm in 2018 to 5.3mm with increasing diversification away from Sears; decreased Sears exposure by ~55 percentage points from 2018 to 2021
4 Achievable Opportunities To Cut Substantial Costs	▪ Current capacity, given reduced Sears store footprint, provides opportunity to ramp up 3rd party business with virtually no additional infrastructure investment ▪ High degree of operating leverage is conducive to margin enhancing growth ▪ Management has identified several initiatives, such as IT investment, that will improve labor productivity and enhance long-term cost structure
5 Strong Operational Expertise and Scalable Infrastructure	▪ Strong, experienced management team with industry-leading knowledge and experience in logistics and supply-chain ▪ Management has demonstrated an ability to invest in new MDO's in key geographies in a capital efficient manner

innovel
Innovative logistics. Smart solutions.

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Innovel
Overview & Strategic Logic

Innovel Overview

- World class third-party logistics provider with unique end-to-end nationwide capability to execute both the middle mile and final mile for Big and Bulky items
- Provide a variety of services including 2-day and next day delivery, complex installation, industry leading online fulfillment capability, U.S.-based customer service, commercial sales B2B support, transportation solutions and warehousing
- Substantial opportunity for profitable growth by continuing to centralize externalizing business

Key Figures

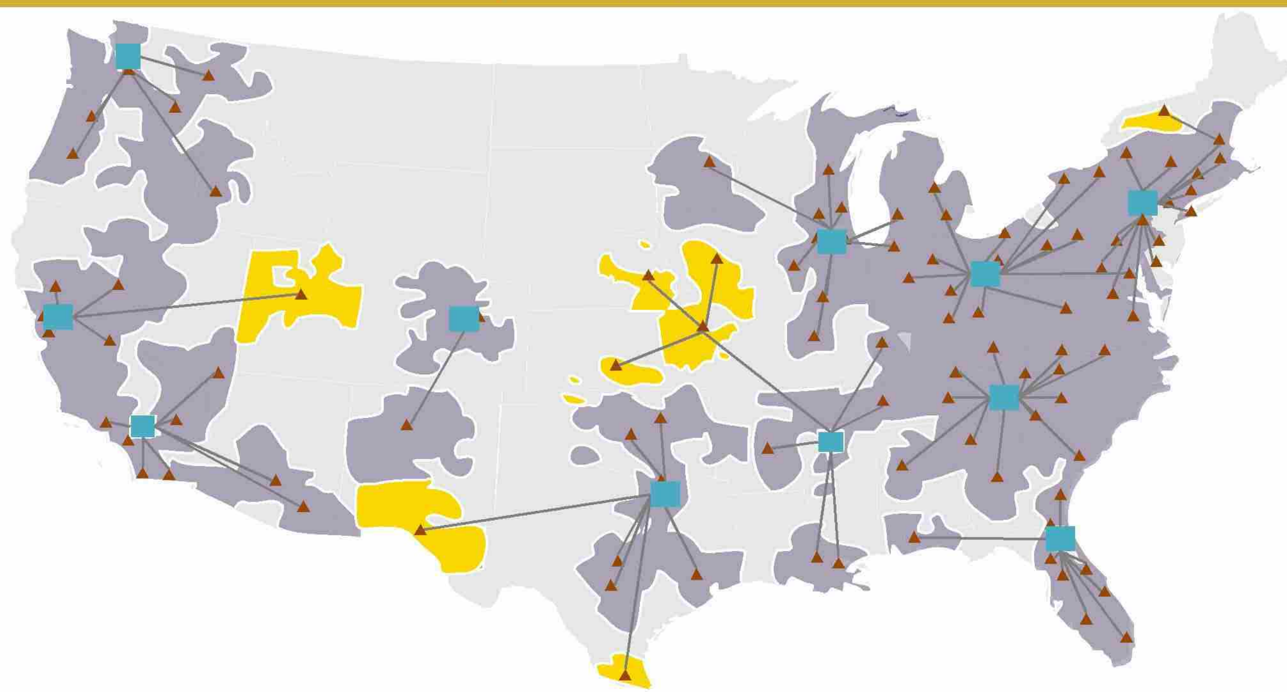
- ~2,200 employees located across the country
- 11 middle mile distribution centers placed across the country
  — Collectively occupy ~9.3mm square feet and over 500 acres
- 3 offshore retail distribution centers
- 108 final mile cross-dock centers, capable of home delivery
  — Collectively occupy ~9.3mm square feet

Next Day and 2 Day Capabilities

24-48-hour delivery capability for 85% of households and 93% of orders

24-Hour Turnaround

48-Hour Turnaround



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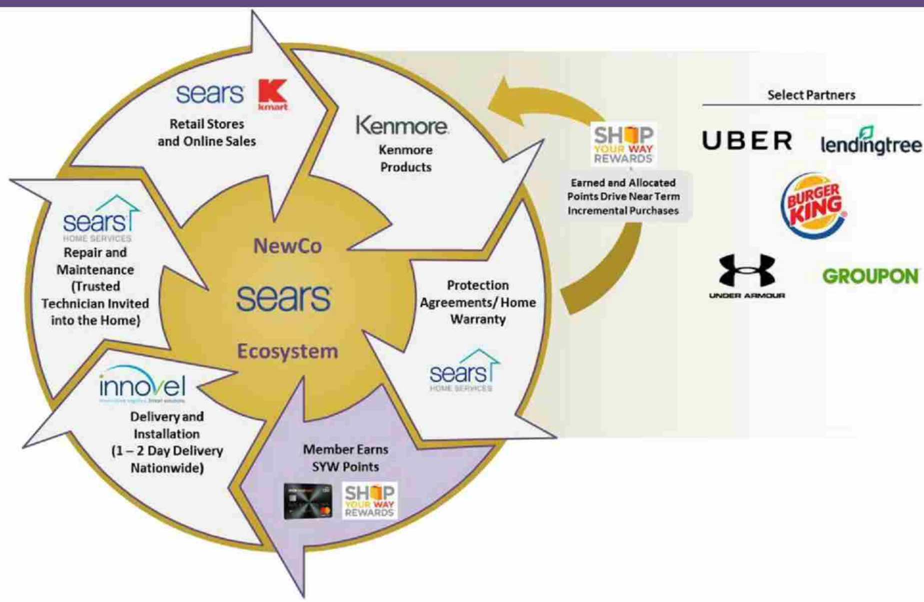
D. Credit Card Portfolio



Credit Card Portfolio

Overview

Overview of Current Program

20mm Accounts	1.8mm New Accounts	$1,748mm New Account Spend
$4,408mm Internal Spend	$10,389mm External Spend	$13,660mm Avg. Receivables
$132mm Cash Payments to Sears	$221mm Other Program Economics[1]	Sears Share *10.5 % / 17.5 %* 2017 Pre-Tax Income

ShopYourWay/ Private Label — **New Account Portfolios**

$4,332mm Spend	$1,543mm Spend
$3,508mm Avg. Receivables	$1,768mm Avg. Receivables
$101mm Cash Payments to Sears	
$135mm Other Program Economics[1]	

Thank You/ Non Rewards — **Legacy Portfolios**

$8,923mm Spend
$8,384mm Avg. Receivables
$31mm Cash Payments to Sears
$85mm Other Program Economics[1]

Terms & Economics

- 5-year extension through November 2025
  - Optional extension of 2 additional years through 11/27, predicated upon Sears meetings performance hurdles
- Sears has the option to repurchase / arrange for 3rd party repurchase of program assets
  - Repurchase option is only for SYW/PL program and eligible at the end of the 2-year extension (11/27)
- 2018 – 2020 Economics: Economic sharing largely in line with the current program agreement
- After 2020 Economics: Economic sharing predicated upon Sears opening new accounts / total program sales for SYW/PLCC and on total program sales for TY/NR
- Marketing support to include permanent support of SYW externalization; non-contractual support on good faith terms
- Continuation of Commercial Lending Program and Private Label program (subject to certain triggers) in full line stores

Strategic Benefits

- Revenue sharing program with the Credit Card Partner (Citi)
- Synergy generated from the integration of the Credit Card portfolio with SYW
- Size and store footprint of NewCo will continue to drive the economics of the Credit Card Portfolio

1. Other program economics includes rewards reimbursement, marketing support, merchant subsidies, member value proposition, interchange savings, and deferred interest financing costs paid by Sears. Does not include direct cash payments to Sears

E. Sears Auto Center

Sears Auto Center
Investment Highlights

sears AUTO CENTER

1 Unique Industry Player With National Footprint	▪ Large, national player with strong brand equity competing against mostly regional and local businesses ▪ Beneficiary of traffic to Sears FLS, giving the segment enhanced customer visibility ▪ Ability to leverage Sears' national supply chain contributes to enhanced lead times and customer service ▪ Base of 2,163 trained and accredited technicians provides unique opportunity to take advantage of excess capacity
2 Diverse Product Offering	▪ Mix of service and merchandise product offering allows Sears Auto Center to be a one-stop-shop for automotive needs, leading to recurring revenue and high customer satisfaction ▪ Proven ability to cross-sell merchandise to customers seeking mechanical service (and vice-versa) ▪ Strong relationships with blue-chip vendors provides for attractive merchandise offering
3 Leasing Opportunity	▪ Only national retailer that offers leasing as a payment option for automotive products and services ▪ Ability to attract sub-prime customers with limited financing options, while maintaining no balance sheet risk due to strong financing relationships ▪ High margin opportunity with the ability to lease out under-utilized bays for DIY'ers ▪ Opportunity to create lease-based standalone Auto Centers in key markets
4 Ride-Sharing Platform Exposure	▪ Recently entered into partnerships with Uber and Lyft — Partnership is predicated on the creation of service stations for both ride-sharing platforms within Sears Auto Centers, where drivers can have their cars certified and purchase regular maintenance ▪ 5 Uber hub locations, generating 200-300 certifications per week each, as well as 10 Lyft locations, with expansion plans
5 External Channel Growth Opportunity	▪ Opportunity to leverage strong team of experienced associates to take advantage of tire instillation market — Online tire sales have grown over past few years, with vendors not having the appropriate network to complete instillation ▪ Recently rolled out partnership with Amazon, selling DieHard tires through the platform and installing at Sears Auto Center — Opportunity to expand through additional online mediums and install non-DieHard tires at store locations

Sears Auto Center
Overview

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Business Highlights

- One of the largest, scaled providers of automotive aftermarket services, with a nationwide footprint of 231 locations across 38 states and Puerto Rico
  - Stores are ~17,700 square feet on average with ~17 service bays
- Service offerings include tire replacement, rapid wheel alignment, precision brake service, battery replacement, comprehensive oil / fluid change and diagnostic & mechanical services
- Attractive, diverse customer base of individual consumers and commercial / corporate accounts
- Employs one of the most tenured labor networks in the industry, with 2,163 trained and accredited technicians across store base
- Executing multi-faceted strategy across operations, merchandise, marketing, real estate, customer base and sourcing to grow revenue and improve profitability
- FY2017A Sales (All Locations): $333mm
- FY2017A 4-Wall EBITDAR (All Locations): $26mm

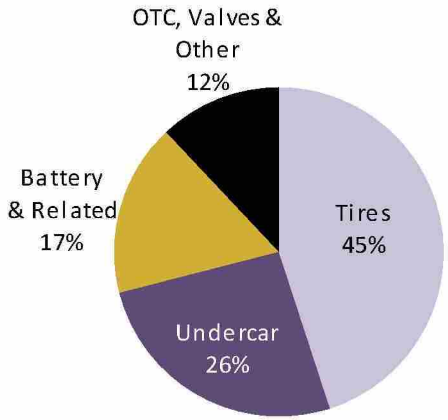
Customer Segmentation

Commercial Customers → Key Customers

AVIS
enterprise
sears HOME SERVICES
UBER
DONLEN A Hertz Company
element

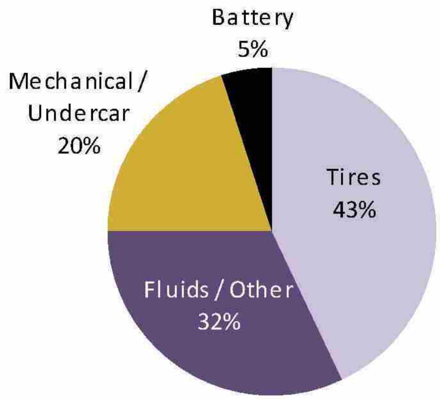
FY2017A Revenue Breakdown

Merchandise



71% of Total Sales

Service



29% of Total Sales

Key Brands Distributed

Tires

DieHard
MICHELIN
BFGoodrich Tires
Hankook

Battery & Related

DieHard

OTC, Valves & Other

Valvoline

Undercar Parts

AutoZone
Advance Auto Parts

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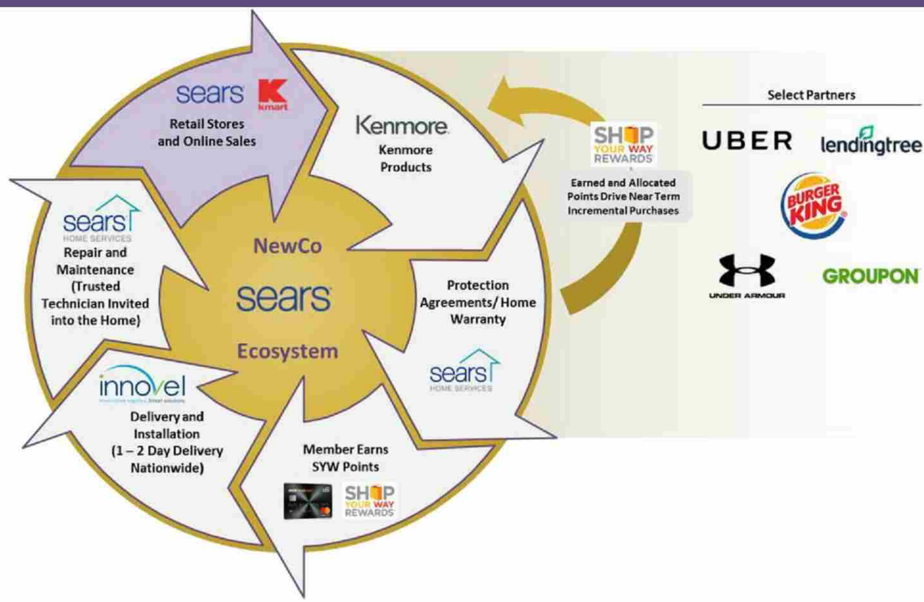
F. E-Commerce Business



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E-Commerce Business
Online Business in the SHC Ecosystem

The Online business leverages and supports the Sears ecosystem by delivering a integrated retail experience for members

- **Traffic:** Generate traffic by making investments in Points, Digital Marketing, and Owned Marketing (email, text, social)
- **Selection:** Online assortment consists of store assortment, online exclusive owned inventory, drop-ship vendors, and marketplace sellers
- **Fulfillment**: Integrated retail capability to ship from warehouse, ship from store, pickup in store, and deliver and install (Innovel)

($ in million)	2018 Sales (FCST)		Integrated Retail Channel %			
	Sales $	% of Total SHC	Ship from DC%	Ship from Store %	Store Pickup %	Delivery (Innovel) %
Total Online	$1,449	16%	13%	14%	13%	50%
Sears.com	$1,170	22%	12%	11%	22%	55%
Kmart.com	$156	5%	24%	34%	39%	3%
Marketplace GMV	$122	0%	0%			

G. DieHard and Monark

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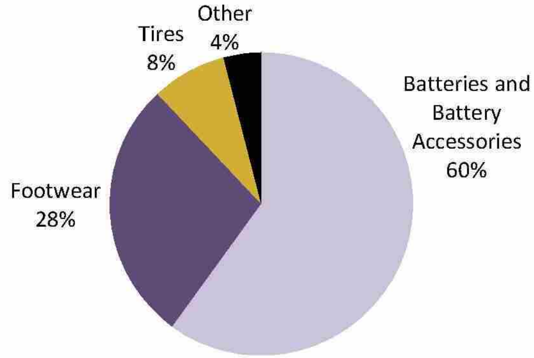
DieHard
Business Summary

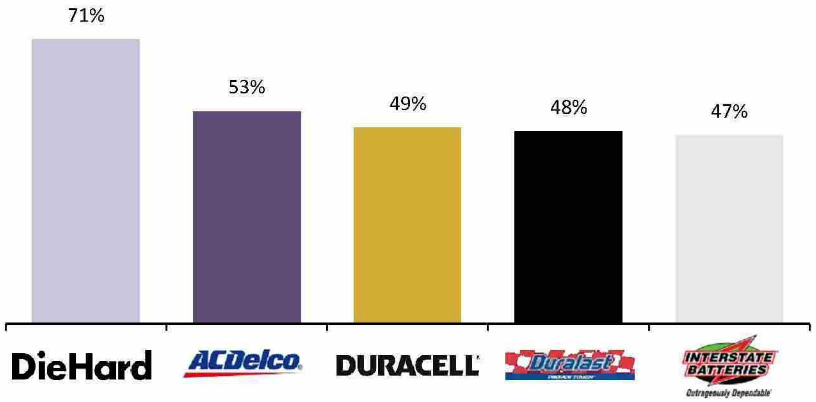
Business Overview

- Leading provider of power solutions since 1967
- Current U.S. sales share of 4% for vehicle batteries
- Products sold primarily through Sears channels, with select external retail distribution
- All products are manufactured by leading contract manufacturers, required to comply with DieHard high quality standards
- Well-balanced portfolio of vehicle batteries, with well-developed strategies for new product introductions in adjacent and peripheral industries
  — Adjacent (Power): Connected Lighting Solutions, Solar Power Solutions
  — Peripheral (Lifestyle): Rugged Wear, Extreme Wear

Revenue by Segment



Brand Awareness[1]



Select Products

Vehicle Batteries
- Offered for Auto, Marine & RV, PowerSport and Lawn & Tractor

Vehicle Battery Back Up
- Various applications range from jumping a car battery to powering laptop within a car

Portable Power and Lights
- Categories include tool batteries, alkaline batteries, flashlights and LED lights

Work Boots
- High-performance boots, offered in both slip-ons and lace-ups

Tires
- Mid-Tier Passenger car tires manufactured by Kumho sold in SAC

Consumer Electronics
- Categories include Powerbanks, Chargers, Charging station, Phone cases and headsets

1. Source: The Link Group

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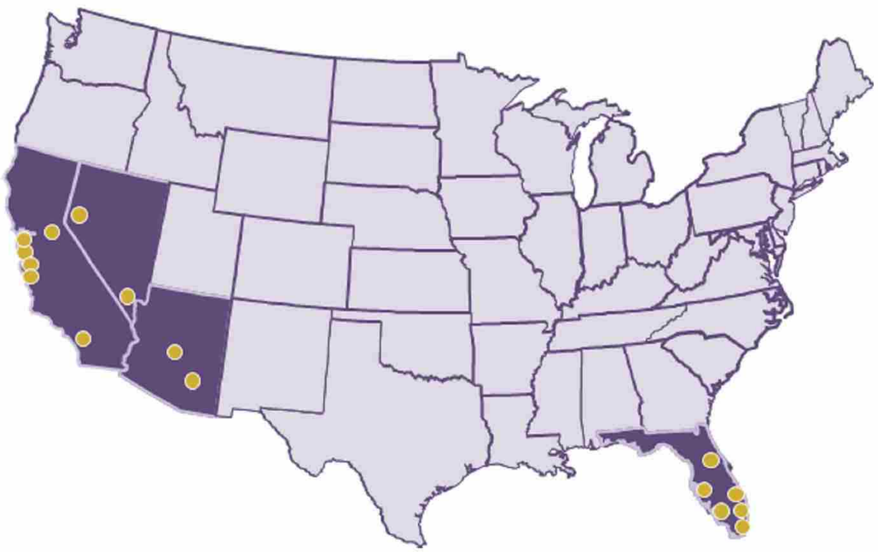
Monark
Business Summary

Business Unit Overview

- Monark Premium Appliance Company and its affiliates form a nationwide distributor of premium home appliances that serve architects, builders, designers, developers and homeowners
- Monark represents a partnership between three leading distributors: Florida Builder Appliances, Westar Kitchen & Bath and Standards of Excellence
- Showrooms provide customers with premium cooking, cooling and cleaning appliances
- Established in June 2015

Store Locations

20 showrooms across Arizona, California, Florida and Nevada



Select Brands

Alfresco
ASKO Inspired by Scandinavia
best
dacor
DCS by Fisher&Paykel
Electrolux
SAMSUNG
Scotsman
Speed Queen
SUB-ZERO
SUMMIT APPLIANCE
Thermador
U-LINE
VentAHood
VIKING PROFESSIONAL
GE
LA CORNUE
LG

VI. Overview of Key Initiatives

A smaller but Balanced Sears and Kmart Footprint Delivers $330MM of 4-wall EBITDA in 2019

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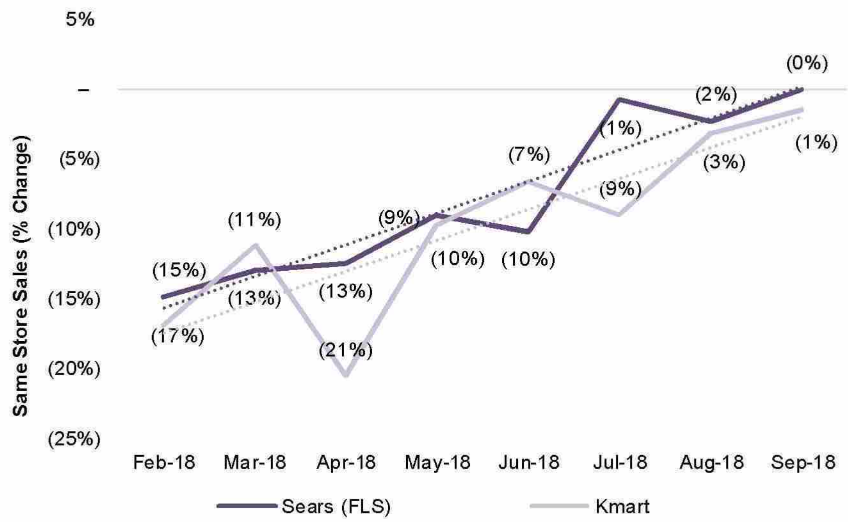
Business Overview

- Sears' Retail Business consists of its 266 Sears Stores, 239 Kmart Stores and their respective Online presences
- The business is broken into the primary categories below
  - Hardlines – composed of Home Appliances (HA), Consumer Electronics, Tools, Lawn & Garden, Outdoor Living, Sporting Goods, Mattresses, and Monark businesses
  - Softlines – composed of Apparel, Footwear, Home, and Jewelry businesses; these businesses sell an assortment of proprietary brands as well as third-party retail options
  - Sears Auto Centers – a multi-channel automotive aftermarket service provider offering replacement tires, mechanical diagnostics and repair, vehicle maintenance products and services, batteries and battery-related accessories, as well as automotive accessories and chemicals for cars and light trucks
  - Grocery & Drugstore, Pharmacy, and Children's Entertainment & Seasonal – sells grocery, household and pet supplies, beauty care, OTC health & wellness, stationery, party supplies, children's entertainment products, seasonal merchandise, dispenses prescription drugs and performs clinical services

2018 YTD Same Store Sales Comps (% Change)



Preliminary 2019E Forecasted Financials

($ mm)	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	FY19
Retail													
Brick and Mortar Revenue	$330	$427	$342	$408	$498	$360	$374	$428	$337	$506	$720	$400	$5,128
Sears Auto Center Revenue	21	26	20	21	27	21	22	26	23	25	31	27	291
Online Revenue	62	75	59	74	93	57	68	80	34	80	83	62	826
ShopYourWay	6	13	7	8	11	8	8	10	6	8	17	8	110
Total Revenue	**$420**	**$541**	**$428**	**$511**	**$628**	**$445**	**$471**	**$544**	**$401**	**$619**	**$851**	**$497**	**$6,355**
(-) COGS	(303)	(384)	(288)	(352)	(446)	(308)	(349)	(402)	(284)	(441)	(592)	(366)	(4,515)
Gross Margin	**$117**	**$156**	**$140**	**$160**	**$182**	**$137**	**$122**	**$142**	**$117**	**$178**	**$259**	**$130**	**$1,840**
Margin (%)	*28%*	*29%*	*33%*	*31%*	*29%*	*31%*	*26%*	*26%*	*29%*	*29%*	*30%*	*26%*	*29%*
(-) Operating Expenses	($114)	($131)	($110)	($116)	($135)	($115)	($117)	($136)	($115)	($133)	($153)	($135)	($1,510)
Retail EBITDA	**$3**	**$25**	**$30**	**$44**	**$47**	**$22**	**$5**	**$6**	**$2**	**$45**	**$106**	**($4)**	**$330**
Margin (%)	*1%*	*5%*	*7%*	*9%*	*7%*	*5%*	*1%*	*1%*	*0%*	*7%*	*12%*	*(1%)*	*5%*

Optimize SG&A

Summary – Description of Key Initiatives

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Initiative	Description
1 **SG&A:**	▪ Initiatives to reduce corporate SG&A expense, including Supply Chain, from ~$1.2 billion to an annual run-rate of ~$600mm ▪ Payroll reductions on over 1,000 positions in November ▪ >$250mm in non-payroll reductions focused in marketing, IT, contracts, and professional services across back-office groups
2 **Assortment Optimization:**	▪ Reduce the number of SKUs across the company – includes better use of distribution center storage and favorable vender costs ▪ Leverage brands between Kmart and Sears format – includes rollout of Jaclyn Smith, Adam Levine product lines ▪ Develop competitor data scrapping capabilities to help identify pricing and trend opportunities early on
3 **In Stock & Replenishment:**	▪ In-stock: continuously improve in-stocks while minimizing non-productive inventory ▪ Replenishment: differentiation between basics and seasonal items and implementation of pack/size optimization
4 **Marketing - Digital ROI:**	▪ Leverage of the online team's tracking and modeling to improve return on investment for the various digital marketing channels
5 **Marketing - Traditional:**	▪ Utilizing "always on" strategy for broadcast/online video to improve unaided consideration scores for hardlines ▪ Launch brand equity messaging prior to key promotional selling periods ▪ Focus all media buys to go forward store locations
6 **SHS Initiatives:**	▪ Direct to Consumer (D2C) – continued technician investment, improved pricing techniques, and optimized marketing efforts ▪ Business to Business (B2B) – improvements to pricing strategy, service quality, and job-completion turnover times ▪ Parts Direct website rebuild– enable multi-touch marketing analytics to better understand and improve the customer journey

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Optimize SG&A

1 Expected SG&A of $545mm in 2019F

($mm)	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	FY 2019
Core (Retailing)													
Buying Organization	7	7	7	7	7	5	5	5	5	5	5	5	67
Retail Services & Online	5	5	5	5	5	5	5	5	5	5	5	5	57
Marketing[1]	5	5	5	5	5	5	5	5	5	7	7	7	65
Total CORE (Retailing)	**16**	**16**	**16**	**16**	**16**	**14**	**14**	**14**	**14**	**17**	**17**	**17**	**189**
Back Office													
Legal	1	1	1	1	1	1	1	1	1	1	1	1	16
Accounting	2	2	2	2	2	2	2	2	2	2	2	2	19
FP&A	0	0	0	0	0	0	0	0	0	0	0	0	2
GM Team	-	-	-	-	-	-	-	-	-	-	-	-	-
Internal Audit	0	0	0	0	0	0	0	0	0	0	0	0	1
Procurement	0	0	0	0	0	0	0	0	0	0	0	0	2
Risk Management	0	0	0	0	0	0	0	0	0	0	0	0	1
Treasury	0	0	0	0	0	0	0	0	0	0	0	0	6
Real Estate[2]	2	2	2	2	2	2	2	2	2	2	2	2	27
HR	1	1	1	1	1	1	1	1	1	1	1	1	9
IT	16	16	16	16	15	12	7	7	7	5	5	5	127
Holding Company & Other	1	0	0	0	0	0	0	0	0	0	0	0	4
Total Back Office	**24**	**23**	**23**	**23**	**22**	**19**	**14**	**14**	**14**	**12**	**12**	**12**	**212**
Home Services and Other													
Home Services	2	2	2	2	2	2	2	2	2	2	2	2	23
Sears Auto Centers	1	1	1	1	1	1	1	1	1	1	1	1	7
Kenmore, Craftsman & Diehard	1	1	0	0	0	0	0	0	0	0	0	0	6
Contract Appliances	0	0	0	0	0	0	0	0	0	0	0	0	0
Builder Distributors	0	0	0	0	0	0	0	0	0	0	0	0	0
Connected Living	0	0	0	0	0	0	0	0	0	0	0	0	1
Service Live	0	0	0	0	0	0	0	0	0	0	0	0	1
Total Home Services & Other Businesses	**3**	**4**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**	**37**
Shop Your Way	**1**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**20**
Gross Healthcare & Benefits	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**2**	**25**
Supply Chain Home Office	1	1	1	1	1	1	1	1	1	1	1	1	12
Total Home Office	**49**	**49**	**48**	**48**	**48**	**42**	**37**	**37**	**37**	**38**	**39**	**38**	**506**
Supply Chain DC Operations[4]	23	18	22	21	16	19	19	17	22	23	10	16	228
SHC Level PA Adjustment	(8)	(10)	(7)	(7)	(9)	(7)	(6)	(8)	(6)	(6)	(7)	(5)	(84)
SHO / Land's End Margin	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(50)
Reallocated SHS Expense	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(55)
Total	**55**	**49**	**54**	**53**	**47**	**46**	**41**	**38**	**44**	**46**	**33**	**40**	**545**

1. Additional reduction of $48mm related to digital marketing is included in the marketing initiatives.
2. Real Estate current run-rate removes the $8.9mm EDA tax credit from the city of Hoffman Estates.
3. $31.8mm of Call Centers is not allocated (primarily composed of $21mm of online); MSO reduction target based on the total reduction reported by the MSO team.
4. Includes $73.0mm of total internal margin charge from the stores; pro forma run-rate assumes Innovel is maintained at a cost of ~$50mm.

Optimize SG&A

1 Review Contract Spend

- SHC has a total of 77,990 contracts for a total annual spend of ~$2.4 billion
  - 1,066 contracts represent 80% of total spend of ~$1.9 billion
- Full review of all contracts is underway in all of the businesses

80% of Total Contract Spend		
Vendor	**Spend**	**# of Vendors**
Supply Chain	$928,981,566	78
Member Technology	203,909,706	210
Marketing	192,606,486	29
Sears Retail	111,044,319	63
Online	96,713,788	47
Kmart Retail	92,738,000	66
Home Services	77,183,539	69
SAC Business Unit	52,772,018	54
Finance & Procurement, GMIT & Pricing Support Unit	25,806,119	14
T&HCS Support Unit	17,851,715	21
Shop Your Way Rewards	15,839,395	21
Corporate	12,762,243	14
Legal Support Unit	11,576,566	16
Real Estate Support Unit	11,006,587	20
SHIP	6,709,297	12
Holding Company	6,022,115	16
Sears Jewelry Overhead	4,563,880	7
Finance & Procurement, Audit, GMIT & Pricing Support	4,150,199	14
Sears Appliances Overhead	4,099,175	7
Commercial Sales Business Unit	3,999,401	29
KCD Support Unit	2,323,071	28
Corporate Retail Services	1,765,650	22
Financial Services Support Unit	1,690,571	13
Inventory Management Support Unit	1,371,442	15
Other	15,551,984	181
Total	**$1,903,038,833**	**1,066**

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Optimize SG&A

1 IT – Reduction to an Annual Run-Rate of ~$63mm

($ in 000s)	Monthly Pacing															
	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	FY 2019	FY 2020
IT																	
Total Current Expenses	16,061	16,280	15,178	16,442	17,391	14,440	14,392	13,978	14,024	13,928	13,729	13,688	13,779	13,616	12,333	171,738	158,911
Less: Expense Reductions	(633)	(2,263)	(518)	(172)	(1,710)	1,288	1,355	1,345	(1,772)	(7,104)	(7,039)	(7,003)	(8,542)	(8,410)	(7,061)	(44,827)	(96,053)
Go-Forward Expenses	**15,427**	**14,017**	**14,660**	**16,269**	**15,680**	**15,728**	**15,747**	**15,323**	**12,252**	**6,824**	**6,689**	**6,685**	**5,237**	**5,207**	**5,271**	**126,912**	**62,858**
CapEx Requirements	**–**	**–**	**2,504**	**2,504**	**2,504**	**2,504**	**2,504**	**2,504**	**2,504**	**2,504**	**2,504**	**2,504**	**2,504**	**2,504**	**2,504**	**30,044**	**-**

~$30mm investment required to achieve a $96mm reduction in annual spend to an annual run-rate of $63mm

Strategy to Achieve Reduction

- Fundamental strategy change – replace legacy applications with SaaS solutions and exit internal data centers
  - Requires less FTEs to operate – less infrastructure heads and less developers ($6mm/month to $2.1mm)
- Deliverables achieved by Q3 2019:
  - Implementation of an ERP application – enables the deprecation of mainframes
  - Implementation of CRM and cloud based contact center – improves member experience as the agent will have a full 360 view of the member from a single screen and take out cost such as deprecation of legacy telephone infrastructure
  - Creation of a single product master (hierarchy) – simplifies the business. For example, same SKU used across all format. It also enables the Company to consolidate technology. For example, a single conveyable warehousing system, a single POS
  - Non FTE spend drops from $9mm/month to $2.5mm. ~ $5mm (65%) is mainframe + outsourced infrastructure support resources

Optimize SG&A

1 Opportunity to Right-Size Headcount

	Active			Open Positions			Total		
($mm)	Active	Total Salary	Average Salary	Open	Total Salary	Average	Positions	Total Salary	Average Salary
Home Services	161	13,059,052	81,112	4	431,000	107,750	165	13,490,052	81,758
Call Centers	16	1,041,485	65,093	-	-	NA	16	1,041,485	65,093
Retail (Central support)	224	10,827,899	48,339	13	602,392	46,338	237	11,430,291	48,229
Merchants-Off Price	8	563,073	70,384	4	409,555	102,389	12	972,628	81,052
Health and Wellness Solutions	3	473,640	157,880	1	105,000	105,000	4	578,640	144,660
Sourcing - US	1	109,490	109,490	-	-	NA	1	109,490	109,490
KCD	7	856,200	122,314	4	315,000	78,750	11	1,171,200	106,473
Human Resources	28	1,680,000	60,000	5	300,000	60,000	33	1,980,000	60,000
Legal	20	1,803,906	90,195	11	986,500	89,682	31	2,790,406	90,013
Finance	13	1,322,804	101,754	-	-	NA	13	1,322,804	101,754
Pricing	3	349,500	116,500	-	-	NA	3	349,500	116,500
Procurement	16	1,356,901	84,806	2	250,000	125,000	18	1,606,901	89,272
Asset Profit & Protection	41	2,693,427	65,693	9	611,300	67,922	50	3,304,727	66,095
Supply Chain/Innovel - Corp	-	-	NA	-	-	NA	-	-	NA
Inventory Mgmt	-	-	NA	6	627,500	104,583	6	627,500	104,583
Marketing/IMX/Studio	54	4,292,210	79,485	-	-	NA	54	4,292,210	79,485
Analytics	6	627,244	104,541	2	392,000	196,000	8	1,019,244	127,406
Online	9	934,019	103,780	33	1,884,000	57,091	42	2,818,019	67,096
Financial Services	3	450,000	150,000	2	156,000	78,000	5	606,000	121,200
Real Estate	42	2,129,817	50,710	4	451,208	112,802	46	2,581,025	56,109
Kenmore Direct - CS (Field)	83	2,430,827	29,287	1	65,000	65,000	84	2,495,827	29,712
Kenmore Direct - CD (Seattle)	17	1,595,218	93,836	-	-	NA	17	1,595,218	93,836
SYW	183	16,852,941	92,093	1	116,000	116,000	184	16,968,941	92,223
MT	-	-	NA	-	-	NA	-	-	NA
SHI Analytics	19	815,000	42,895	-	-	NA	19	815,000	42,895
Total Salary	957	66,264,653	69,242	102	7,702,455	75,514	1,059	73,967,108	69,846
Assumed 14% Avg Benefits	957	9,277,051	9,694	102	1,078,344	10,572	1,059	10,355,395	9,778
Total Salary & Benefits	**957**	**75,541,704**	**78,936**	**102**	**8,780,799**	**86,086**	**1,059**	**84,322,503**	**79,625**

In Stock & Replenishment

2 Ability to Learn from Data and Optimize Offering

Key Objectives	
Objective	▪ Continuously improve in-stocks while minimizing nonproductive inventory ▪ 95% in-stock goal by store & product vs ~92% currently ▪ 52-week rolling forecast and refined planning algorithms
Initiatives	▪ **Lost Sales Reduction** – Lost sales improvement realized in both basic and seasonal areas through improved demand forecasting ▪ **Reduction of Aged Inventory** – Aged inventory including inventory greater than 80 days ("GT80") will be reduced, specifically demand forecasting improvement and incremental single item replenishment exposure ▪ **Supply Chain Savings** – Single item replenishment are balanced with the costs of picking vs replenishing size packs.
Impacts	▪ Gains realized in: Basic Replenishment and Seasonal product ▪ Basics split between two tracks to accommodate packaging and replenishment differences ▪ Seasonal product focus will be on flowing the product as to maximize sales and minimize markdowns ▪ Pack size optimization enhances Size and Pack Optimization overrides and improvements to improve assortment mix. EBITDA is compressed due to high distribution center costs from Size pack to SIR (17% today). 2019 revenue is $38MM, margin $14MM, and distribution center expenses $6.6MM. Single apparel distribution center with pick and pack will reduce costs to 5%.

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Digital Marketing

3 Refine Platform to Focus on High ROI Programs

2018 Digital Marketing Strategy: ROI Improvement

2018	2019
Target users nationally making small bid adjustments regionally based on ROAS	Target users by DMA making aggressive bid adjustments based on ROAS by DMA and zipcode
Point all users from all channels to the desktop and mobile websites	Point users from channels to customized landing pages built specifically for that channel and by device
Affiliates - Track users who come to the desktop site or mobile site	Affiliates - Implement app to app tracking with publishers to diversify methods of publishing deals and acquire better data insight to improve personalization Targeting
Focus on individual business units and the top keywords and products within each	Focus on top keywords and products regardless of business unit
Shop Your Way, Google and Microsoft audience implementation accounts for 31% of total clicks for Paid Search and Datafeeds	Increase Shop Your Way, Google and Microsoft audience implementation to account for 50% of total clicks for Paid Search and Datafeeds
Average Cost Per Click continues to increase across Google, Bing and Yahoo	Integrate new search platforms with a much lower Average Cost Per Click to bring down spend and increase ROAS
Social – Integrated with Facebook, Twitter, Pinterest, Instagram, etc. to communicate with memers	Social - Integrate more deeply with current and new vendors to expand how we reach members. Implement greater targeted communications with members and test new strategies/tactics to improve conversion
$124MM Spend with 0% ROI	**$58MM Spend with 30% ROI**

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Traditional Marketing

4 Strategic Utilization of Traditional Channels

2018 Traditional Marketing Strategy: Traffic and Conversion Improvement

2018	2019
Separate TV campaigns for mattress and HA for national holidays. Not synergistic, did not build the Sears/Kmart brands ▪ 30" HA spot was 60% more effective than a 15" spot but the cost was 100% more reducing the ROI	Portfolio campaigns will achieve efficiencies – delivering a more holistic message on promotional offers and build the brands ▪ Portfolio campaign of mattresses, appliances, and home services costs partially offset by vendor funding will improve ROI
Marketing support 'on-and-off' throughout the year driven by peaks and troughs of events, seasons and BU priorities	Deploy an 'always-on' marketing support plan across various media channels to message promotions and underpinned by brand building ▪ Provide seasonally support e.g.: spring apparel, grills in June
FSI's (vendor funded) + a circular for each national holiday ▪ Pure transactional messaging, no Sears/Kmart brand building	One free-standing insert (FSI) and circular redeploying vendor funds holistically ▪ Transactional messaging underpinned by Sears/Kmart brands
Circulars deployed during national holiday events supporting big ticket products (focus on HA) ▪ Presidents Day, Black Friday, etc.	Deploy circular strategy during high traffic periods to draw high frequency shoppers in apparel and adjacency categories ▪ In addition to big ticket circular events, support Mother's/Father's Day, back-to-school, Christmas
Kmart media was earmarked but was reduced during the year	For Kmart, support high traffic periods with broadcast media which have historically delivered high ROI
Did not monetize marketing assets by seeking sponsor funding from vendors, service providers and 3rd parties ▪ Did not treat marketing collateral as a valuable marketing channel to monetize	Dedicate a focused effort framing-up a value proposition as rationale for vendor funding ▪ Featured products in circulars, coupon drops in e-commerce boxes etc.

In 2019 all elements of the marketing mix will be connected by a cohesive brand strategy to build brand sentiment for Sears and Kmart vs. in 2018 marketing was fragmented by being conducted at a business unit level

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Key SHS Initiatives

5 Sears Home Services Cash Flow Protection

Protection Agreements

- In process of signing an external underwriting contract for all go-forward Protection Agreements that will increase EBITDA ~$50 million in 2019 due to accounting change
- Assurant has best overall economics (especially in the aftermarket), 3 year term, lowest upfront reserve payment, additional B2B service volume
- Year one (one time) 3x improvement to Sears Home Services Protection Agreement contract EBITDA due to immediate revenue recognition; $9 increasing to $29 on a per policy basis
- Cost savings due to reduction of lower-value leads by using a 3rd party underwriter resulting in an improved cost-to-sales ratio
- Optimize mix of administration work between internal and external call centers

Economics of the Policy

Assurant Underwritten vs. Sears Underwritten

($mm)	Assurant Underwritten	Sears Underwritten	Variance
Blended average	$170	$170	-
SHS EBITDA %	17%	20%	(3%)
EBITDA / policy	$29	$34	($5)

Slightly lower economics but better cash flow upfront

Impact from Revenue Recognition

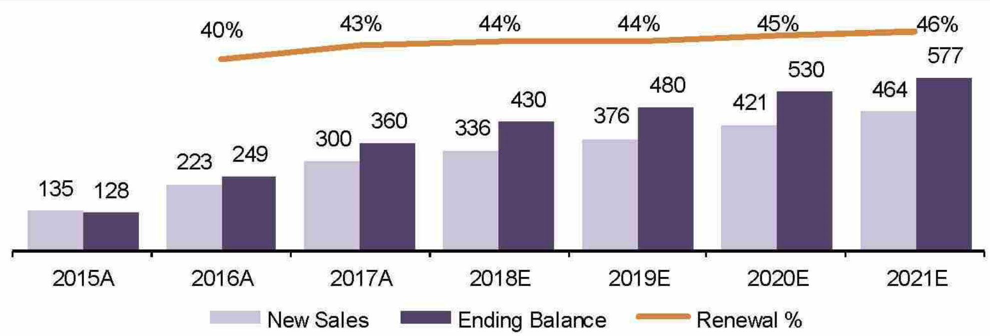
EBITDA Timing

Year	1	2	3	4	5	6
Assurant Underwritten	$29	$0	$0	$0	$0	$0
Sears Underwritten	9	13	7	3	2	1
Variance	$20	($13)	($7)	($3)	($2)	($1)

Home Warranty

- Continued growth in HomeWarranty should deliver ~$40MM of EBITDA, partially offset by natural decline in Protection Agreements
- D2C Channel Enrollments expected to increase ~5% YoY based on overall improvements to the paid repair business; this is a primary channel for home warranty sales
- Launching Sears Home Warranty as part of our web scheduling experience for repairs on SHS.com
  - This represents a new channel for sales in 2019
- Improved phone agent and tech sales anticipated through performance management and launch of refreshed coaching tools

Home Warranty by Year ($ in 000s)



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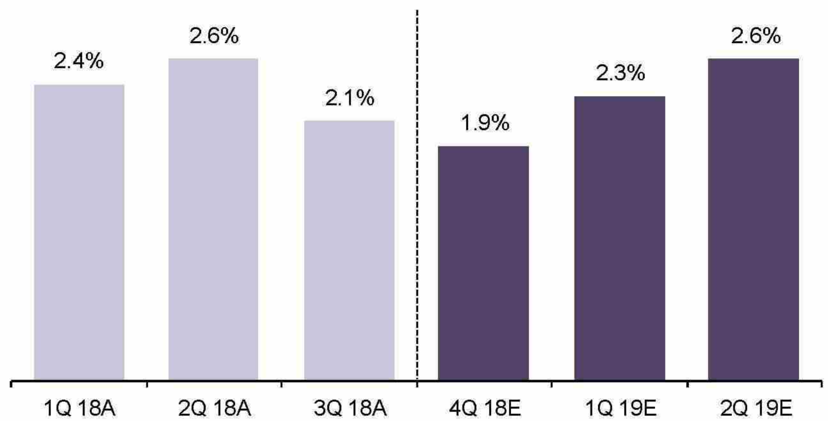
Key SHS Initiatives
Website Rebuild Driving Conversion

Enhanced Capabilities

- Strategic Pillars
  - Improved search tool to allow customers to quickly find and order the correct part, which will lead to an increased conversion rate
  - Enhanced experience for customers by providing unexpected value added solutions that should increase order size
  - Provides consistent customer experience across device platforms
  - Designed to easily support new branding opportunities
  - Showcase SPD's ability to provide Expert Advice
- Improvements to website architecture will lower page load times and will directly correlate to increased conversions
- Simplified search tool to allow user to quickly find the model, part and repair content provided by DIY experts and emerging DIYers
- Customer preferences (i.e., purchase history and frequent purchases) are stored to allow for easy reorders and one click checkout
  - Logged in customers convert 18% vs 2% guest
- Leverage data to guarantee the part fits, highlight most common problems and which parts are used to fix the problem
- Accepts additional payment types
- Responsive design to support mobile device users
- Allows for mobile users to take a picture of the model number on their product to quickly initiate their search for the correct part or content
- Execution
  - Scaled Agile Framework
  - Total anticipated time of completion is 40 weeks (with first sprint started in June 2018)

Conversion Over Time

Quarterly (3Q'17A – 2Q'19E)



Annual (2017A – 2021E)

Source: Company management

EXHIBIT C

Project Transform – *Liquidity Analysis*

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Financial Overview

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Financial Forecast – Key Assumptions

BUSINESS SEGMENT	KEY ASSUMPTIONS
Brick and Mortar	▪ Assumes 223 Sears stores and 202 Kmart stores ▪ Assumes same store sales growth of -1% in 2019F, 2% in 2020F and 3% in 2021F ▪ Assumes 125bps margin improvement in 2019F and assumes 200bps margin improvement in 2020F and 2021F, respectively
Kenmore 3rd Party	▪ Amazon revenue expected to increase from \$80M in 2018 to \$300M by 2021F, conservatively assumes ~50% less incremental Amazon revenue than Company's projections ▪ Assumes one additional 3rd party account coming online in 2020F with expected sales of \$500mm and \$1,000mm in 2020F and 2021F respectively — Assumes 4% licensing fee on all associated 3rd party sales
Sears Home Services	▪ Assumes 2018B to 2021E will be driven by a 30% increase in B2B volume, D2C growth, and improvements in the PartsDirect website and IHR mobile technology over the next two years, offset by the cumulative effect of 3rd party underwriting transaction — Projections exclude SHIP business segment which will either be sold to Service.com with the proceeds distributed to NewCo or, if the contemplated sale to Service.com fails to close, the SHIP business will be acquired by NewCo as part of NewCo acquisition transaction
Innovel	▪ Assumes increased 3rd party revenue, growing to \$300mm by 2021F, conservatively \$200mm less than Company's projections
Sears Auto Center	▪ Assumes same store sales growth of -1% in 2019F, 2% in 2020F and 3% in 2021F ▪ Assumes 125bps margin improvement in 2019F and assumes 200bps margin improvement in 2020F and 2021F, respectively
E-Commerce	▪ Assumes 5% year over year growth throughout the projection period — Traffic, AOV and conversion ratios are held constant based on historicals
ShopYourWay	▪ Assumes historical % of total revenue through the projection period
Monark	▪ Assumes \$1mm, \$2mm and \$3mm of EBITDA 2019F, 2020F and 2021F respectively

Financial Overview

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Financial Forecast – Key Assumptions (Cont'd)

WORKING CAPITAL ASSUMPTIONS	
Accounts Payables (days)	▪ 10 days in February , 12.5 days in March, 15 days in April , 17.5 days in May, 20 days in June and 32 days in July, then remaining constant for the rest of 2019F ▪ 37 days in 2020F and 42 days in 2021F — Pre-petition DPO was 22 days — Industry average ~50 days ▪ Assumes starting A/P balance of $166mm of assumed AP payable in November
Accounts Receivables (days)	▪ Adjusted for seasonality based off of historical accounts receivable as a percentage of inventory
Inventory	▪ Assumes starting inventory of $1,553mm ▪ Adjusted for seasonality based off of historicals
OVERHEAD ASSUMPTIONS	
2019F SG&A Forecast (including supply chain costs)	▪ $545mm, representing ~6% of total 2019F sales — Pre-petition SG&A of $1.2bn, representing ~10% of total 2018B sales
Vendor Discount & Other Adjustments	▪ Assumes ~2.8% of COGS
CAPITAL STRUCTURE ASSUMPTIONS	
ABL Balance	▪ $655mm Revolver[1]; $250mm Term Loan at close
ABL Interest Rate	▪ L + 375 Revolver; L + 800 Term Loan
NewCo L/C Facility	▪ L + 1100; Matures 1/22
Real Estate Debt	▪ Assumes $175mm of new Real Estate debt with an interest rate of L + 850 cash and L + 1050 PIK; 3 year term
Exit Financing	▪ Assumes $350mm roll over of Junior DIP into Exit Financing at L + 1000 cash and L + 1300 PIK
OTHER ASSUMPTIONS	
Dove & Sparrow Real Estate	▪ Assumes $200mm of annual proceeds from dispositions from 2019 to 2021, with 80% of proceeds used to pay down any outstanding real estate debt, and the remaining 20% used to pay down the ABL facility (first 120 days 100% of proceeds to ABL)
CapEx	▪ Assumes approximately ~$50mm of store growth CapEx per year
ABL L/C	▪ The company is targeting $35mm of L/C reduction under the ABL in February 2019; for conservatism, the model assumes $17.5mm of L/C reduction in March 2019
2022 – 2023	▪ Assumes top line growth of 4% annually and a 25 bps EBITDA margin improvement in 2022 and 2023 ▪ All working capital assumptions are kept constant from 2021, other than days payable which are assumed to be 3 days higher

1. Represents amount pre-paydown using real estate debt

Financial Overview

Consolidated Projections

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($ in millions)

	2015A	2016A	2017A	2018B	2019F	2020F	2021F	2022F	2023F
Revenue	**$24,533**	**$21,543**	**$16,248**	**$11,648**	**$7,939**	**$8,075**	**$8,502**	**$8,842**	**$9,196**
(-) COGS	(16,272)	(14,312)	(10,525)	(7,427)	(4,882)	(4,984)	(5,155)	(5,361)	(5,576)
Gross Margin	**$8,262**	**$7,230**	**$5,723**	**$4,220**	**$3,057**	**$3,091**	**$3,347**	**$3,481**	**$3,620**
Margin (%)	*34%*	*34%*	*35%*	*36%*	*39%*	*38%*	*39%*	*39%*	*39%*
(-) Operating Expenses	(7,034)	(6,263)	(4,902)	(3,769)	(2,487)	(2,422)	(2,443)	(2,684)	(2,940)
(-) Supply Chain & Logistics	(483)	(389)	(326)	(291)	(228)	(210)	(207)	(227)	(249)
(-) Home Office SG&A	(1,580)	(1,376)	(1,052)	(786)	(317)	(287)	(320)	(351)	(385)
EBITDA	**($836)**	**($798)**	**($557)**	**($625)**	**$25**	**$171**	**$378**	**$415**	**$454**
Margin (%)	*(3%)*	*(4%)*	*(3%)*	*(5%)*	*0%*	*2%*	*4%*	*5%*	*5%*
Memo: Store Count	1,646	1,405	979	505	425	425	425	425	425

1. SHC level EBITDA adjustment related to the protection agreement business
2. Reflects 2019F 4-wall gross margin expansion

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Financial Overview

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2015A – 2021F Performance By Business Unit

($ in millions)

	2015A	2016A	2017A	2018E	2019E	2020E	2021E
Memo: Store Count	**1,646**	**1,405**	**979**	**505**	**425**	**425**	**425**
Retail (4-Wall + Online + SYW)							
Revenue	$21,381	$18,492	$13,531	$8,991	$5,768	$5,909	$6,166
Gross Margin	6,541	5,476	4,119	2,572	$1,697	$1,829	$2,046
EBITDA	$959	$628	$531	$242	$338	$444	$634
Home Services							
Revenue	$2,139	$2,159	$1,953	$1,762	$1,681	$1,573	$1,593
Gross Margin	$1,582	$1,592	$1,433	1,276	$1,237	$1,107	$1,099
EBITDA	$195	$266	$222	$123	$183	$148	$148
Financial Services							
Revenue	$66	$68	$74	$103	$49	$42	$44
EBITDA	$55	$59	$68	$99	$44	$37	$39
Other Businesses							
Kenmore / Craftsman / DieHard EBITDA [1]	$11	$11	($2)	($10)	$3	$37	$79
Monark EBITDA	$7	$3	$3	($3)	$1	$2	$3
Overhead and Adjustments							
Supply Chain and Innovel	($483)	($389)	($326)	($291)	($228)	($210)	($207)
Home Office / Corporate SG&A	(1,580)	(1,376)	(1,052)	(786)	($317)	($287)	($320)
Total SHC EBITDA	**($836)**	**($798)**	**($557)**	**($625)**	**$25**	**$171**	**$378**
Retail EBITDA Detail							
425 Store Go-Forward 4-Wall EBITDA	$338	$162	$135	$35	$117	$214	$390
All Other 4-Wall EBITDA+ Online	81	(144)	(84)	(163)	(6)	(5)	(3)
Vendor Discounts & Other Adjustments	239	304	238	183	92	91	91
Sears Auto Center EBITDA	152	117	83	45	42	48	56
ShopYourWay EBITDA	149	190	160	142	94	96	101
Total Retail EBITDA	**$959**	**$628**	**$531**	**$242**	**$338**	**$444**	**$634**

1. SHC level EBITDA adjustment related to the protection agreement business
2. 2015 – 2018E numbers are based off of 505 stores

Financial Overview

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2019F - Key Operating Units & 2020F - 2021F Forecast

($ in millions)

	2019E Monthly Budget												2019E	2020E	2021E
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Total	Total	Total
Retail (4-Wall + Online + SYW)															
B&M Same Store Sales (% Change)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	2.0%	3.0%
Revenue	$382	$491	$390	$465	$573	$405	$429	$495	$362	$559	$765	$452	$5,768	$5,909	$6,166
Gross Margin	108	144	129	147	169	127	114	132	107	163	235	121	1,697	1,829	2,046
EBITDA	5	26	30	43	47	23	9	9	3	44	97	0	338	444	634
Home Services															
Revenue	$127	$160	$131	$133	$166	$135	$132	$162	$125	$126	$155	$129	$1,681	$1,573	$1,593
Gross Margin	94	119	95	96	120	97	95	119	95	94	116	96	1,237	1,107	1,099
EBITDA	14	22	13	14	18	13	12	19	13	12	17	15	183	148	148
Financial Services															
Revenue	$3	$4	$3	$4	$5	$3	$4	$4	$3	$5	$7	$4	$49	$42	$44
EBITDA	3	4	3	4	4	3	3	4	3	4	6	4	44	37	39
Other Businesses															
Kenmore / Craftsman / DieHard EBITDA	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$3	$37	$79
Monark EBITDA	0	0	0	0	0	0	0	0	0	0	0	0	1	2	3
Overhead and Adjustments															
Supply Chain and Innovel	($23)	($18)	($22)	($21)	($16)	($19)	($20)	($16)	($22)	($22)	($12)	($17)	($228)	($210)	($207)
Home Office / Corporate SG&A	(37)	(35)	(36)	(36)	(35)	(31)	(26)	(25)	(27)	(28)	(28)	(29)	(317)	(287)	(320)
Total SHC EBITDA	**($33)**	**$4**	**($7)**	**$7**	**$24**	**($6)**	**($17)**	**($3)**	**($25)**	**$15**	**$87**	**($22)**	**$25**	**$171**	**$378**
Retail EBITDA Detail															
Brick and Mortar 4-Wall EBITDA	($9)	$4	$14	$23	$24	$7	($9)	($10)	($6)	$24	$70	($16)	$117	$214	$390
Vendor Discounts & Other Adjustments	6	8	6	7	9	6	7	8	6	9	13	8	92	91	91
Sears Auto Center EBITDA	3	4	3	3	4	3	4	3	4	3	5	4	42	48	56
Online EBITDA	(0)	(1)	2	4	1	1	0	(0)	(6)	1	(5)	(3)	(6)	(5)	(3)
ShopYourWay EBITDA	5	11	6	7	10	6	7	9	5	7	15	7	94	96	101
Total Retail EBITDA	**$5**	**$26**	**$30**	**$43**	**$47**	**$23**	**$9**	**$9**	**$3**	**$44**	**$97**	**$0**	**$338**	**$444**	**$634**
Ending Stores															
Sears	231	231	231	231	231	231	231	231	231	231	231	231	231	231	231
Kmart	191	188	185	182	179	176	173	170	167	164	161	158	158	158	158
Total Ending Stores	**422**	**419**	**416**	**413**	**410**	**407**	**404**	**401**	**398**	**395**	**392**	**389**	**389**	**389**	**389**

1. Call center support allocated at corporate level

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Financial Overview

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2019 Monthly Budget & 2020F-2023F Annual Forecast

($ in millions)

Debt Overview

Tranche	$	Rate
ABL Facility Drawn	$535	
Outstanding L/C	118	
ABL Facility	$653	L+375
Citi L/C Facility[1]	271	L+1100
Real Estate Debt[2]	175	L+850
FILO Term Loan	250	L+800
Exit Financing[3]	350	L+1300

Key ABL Assumptions

ABL Draw Calculation	$
Assumed 1L Outstanding 2/8	$850
Plus: Transaction Fees	50
Remaining ABL Balance	$900
Less: Term Loan	(250)
Plus: OID	5
Draw Needed[4]	$653

ABL Terms	Pre-Petition	NewCo
RCF Facility Size	$1,500	$1,050
FILO Term Loan Facility Size	N/A	250
Rate on Undrawn	63 bps	50 bps
Borrowing Base Reserves	62	50
L/C Under ABL Facility	124	118

ABL Borrowing Base Terms	Pre-Petition	NewCo
NOLV on Inventory	Varies	Varies
ABL Inventory Ineligibles	6.0%	6.0%
Advance Rate on Inventory	80.0%	90.0%
Advance Rate on CC AR	85.0%	90.0%
NOLV on Scripts	N/A	90.0%
Advance Rate on Scripts	N/A	85.0%
Advance Rate on Pharmacy AR	85.0%	85.0%

Real Estate Debt

Real Estate Debt Overview	
Real Estate Debt	$175
Appraised Value	1,652.1
Loan to Value %	*10.6%*

Budget Overview

($ in Millions)	Closing	Feb-2019	Mar-2019	Apr-2019	May-2019	Jun-2019	Jul-2019	Aug-2019	Sep-2019	Oct-2019	Nov-2019	Dec-2019	Jan-2020	2019E	2020F	2021F	2022F	2023F
Consolidated EBITDA		($33)	$4	($7)	$7	$24	($6)	($17)	($3)	($25)	$15	$87	($22)	$25	$171	$378	$415	$454
Less: Interest Expense		(14)	(13)	(13)	(14)	(13)	(11)	(12)	(12)	(13)	(13)	(12)	(11)	(150)	(129)	(112)	(79)	(71)
Less: Capex[5]		(10)	(11)	(11)	(10)	(9)	(9)	(9)	(9)	(9)	(9)	(10)	(11)	(117)	(78)	(80)	(82)	(85)
Plus: PIK Interest		4	5	5	5	4	3	4	4	4	4	3	3	47	51	29	33	34
Plus: Real Estate Sale Proceeds[6]		17	17	17	17	17	17	17	17	17	17	17	17	200	200	200	-	-
Plus: Asset Sale Proceeds[7]		-	-	-	-	100	-	-	-	-	-	50	-	150	130	-	-	-
Less: Mandatory Debt Paydown[8]		-	-	-	-	(113)	(13)	(13)	(13)	(13)	(13)	(63)	(13)	(257)	(207)	(271)	-	(269)
Plus: Draw of Real Estate Debt or S/T Debt		-	-	-	33	-	-	-	-	-	-	-	-	33	-	-	-	-
(+/-) Change in Inventory[9]		(157)	116	(146)	1	275	88	(107)	(171)	131	(176)	134	148	135	-	-	(48)	(53)
(+/-) Change A/R		20	40	33	28	44	12	(10)	10	(16)	(72)	80	15	185	-	-	(1)	(1)
(+/-) Change A/P		275	64	(15)	(105)	99	44	40	61	(136)	156	158	(232)	410	68	74	82	25
(+/-) Change SHS Deferred Acquisition Costs		18	17	16	17	16	17	16	16	15	16	16	16	198	101	39	7	7
(+/-) Change SHS Unearned Revenue		(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(42)	(504)	(269)	(120)	(29)	(29)
(-) SHS PA Adjustment		(8)	(10)	(7)	(7)	(9)	(7)	(6)	(8)	(6)	(6)	(7)	(5)	(84)	(50)	(28)	(23)	(23)
(+) Cross Country Adjustment		5	5	5	5	5	5	5	5	5	5	5	-	54	-	-	-	-
(-) Liability Assumption Payment		-	-	-	(182)	-	-	-	-	-	-	-	-	(182)	-	-	-	-
(-) Cure Costs & Add'l RE Taxes		(20)	(30)	(30)	(12)	(12)	(12)	(12)	(12)	-	-	-	-	(140)	-	-	-	-
(-) Designation Rights Costs		(11)	(13)	-	-	-	-	-	-	-	-	-	-	(25)	-	-	-	-
(+) Cash Savings from CIA Inventory		74	74	-	-	-	-	-	-	-	-	-	-	148	-	-	-	-
Cash Flow Before Revolver Draw / (Repayment)		$118	$222	($195)	($259)	$385	$85	($146)	($158)	($87)	($120)	$416	($137)	$126	($31)	$113	$275	($9)
Unlevered Free Cash Flow		*127*	*221*	*(187)*	*(282)*	*503*	*106*	*(125)*	*(136)*	*(64)*	*(97)*	*488*	*(115)*	*453*	*274*	*467*	*321*	*297*
Beginning ABL Balance	$653	$478	$360	$120	$315	$607	$188	$103	$249	$407	$494	$614	$197	$478	$334	$365	$252	-
Draw / (Repayment)	(175)	(118)	(222)	195	292	(419)	(85)	146	158	87	120	(416)	137	(144)	31	(113)	(252)	-
Ending ABL Balance	$478	$360	$120	$315	$607	$188	$103	$249	$407	$494	$614	$197	$334	$334	$365	$252	-	-
Borrowing Base - Total	1,130	1,222	1,148	1,261	1,263	1,067	1,000	1,083	1,208	1,153	1,334	1,165	1,001	1,001	1,001	1,001	1,035	1,073
Borrowing Base - Revolver	880	972	898	1,011	1,013	817	750	783	958	903	1,084	915	751	751	751	751	785	823
Ending ABL Availability[10]	402	612	761	696	440	629	647	534	552	409	416	718	417	417	386	499	785	823
Less: FCCR Reserve	(88)	(97)	(90)	(101)	(101)	(82)	(75)	(33)	(96)	(90)	(105)	(92)	(75)	(75)	(75)	(75)	(79)	(82)
Ending Availability - Net of Reserve	314	515	671	595	339	548	572	501	456	319	311	626	342	342	311	424	707	741
Ending Liquidity	314	515	671	595	372	548	572	501	456	319	331	626	342	342	311	424	731	756
Ending ABL Balance[11]	$478	$360	$120	$315	$607	$188	$103	$249	$407	$494	$614	$197	$334	$334	$365	$252	$0	$0
Citi L/C Facility	271	271	271	271	271	271	271	271	271	271	271	271	271	271	271	-	-	-
Term Loan	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250	250
Real Estate Debt	175	175	175	175	208	195	182	168	155	142	128	115	102	102	-	-	-	-
Exit Financing	350	354	359	364	368	272	276	279	283	287	290	244	247	247	173	282	235	-
Total Debt Outstanding	$1,524	$1,410	$1,175	$1,374	$1,704	$1,176	$1,081	$1,218	$1,366	$1,443	$1,553	$1,077	$1,204	$1,204	$1,059	$784	$485	$250
Interest Expense	N/A	14	13	13	14	13	11	12	12	11	13	12	11	150	129	112	79	71

	2019E	2020F	2021F	2022F	2023F
Debt / LTM EBITDA	N/A	6.2x	1.9x	1.2x	0.6x
LTM EBITDA / Interest Expense	0.2x	1.3x	3.4x	5.2x	6.4x

Note: Assumes 2% OID on Term Loan; Excludes any annual fee on real estate debt; Assumes Jr. DIP PIK interest with maturity of 12/23

1. L/C Facility priced 300bps wider than Term Loan
2. Model illustrates payment of L+850bps cash interest; Facility has PIK Toggle with PIK interest rate of L+1050bps
3. Model illustrates payment of L+1300bps PIK interest; Facility has PIK Toggle with cash interest rate of L+1000bps
4. Initial draw prior to repayment from real estate debt proceeds
5. Capex includes $30mm maintenance capex, $30mm IT capex, $10mm supply chain capex and $50mm store growth capex
6. Assumes $200mm of annual sale-lease back transactions from 2019-2021, pro-rata by month; does not account for incremental associated lease expense; assumes 100% of proceeds are used to pay down any the ABL in the first 4 months, and then 80% of proceeds used starting June 2019, while the remaining 20% is used to pay down the ABL facility; Assumes facility is fully paid down at end of 2021
7. Conservatively assumes the sale of previously unencumbered assets acquired in conjunction with the rollover of the Jr. DIP of in $100mm in June 2019, $100mm in June 2020 and $30mm in December 2020; All proceeds assumed to pay down Jr. Dip Rollover
8. Includes mandatory repayment of real estate debt, Jr. Dip Facility and Citi L/C facility
9. Assumes 3 stores with negative 4-wall EBITDA sold per month in 2019; conservatively assumes no EBITDA benefit associated with sale of stores
10. Ending Availability at closing is subject to continued diligence of outstanding 1L balance at close
11. Reflects $17.5mm of L/C reduction under ABL in March 2019

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Financial Overview

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2019 Monthly Working Capital Budget & 2020F-2023F Annual Forecast

($ in millions)

Forecasted Working Capital Overview

($ in Millions)	Closing	Feb-2019	Mar-2019	Apr-2019	May-2019	Jun-2019	Jul-2019	Aug-2019	Sep-2019	Oct-2019	Nov-2019	Dec-2019	Jan-2020	2019F	2020F	2021F	2022F	2023F
Working Capital Forecast[1]																		
Ending Cash Balance	-	-	-	-	$33.3	-	-	-	-	-	-	-	-	-	-	-	$24.0	$15.1
Inventory	1,553.0	1,710.2	1,594.3	1,740.2	1,739.4	1,464.4	1,376.5	1,483.3	1,654.6	1,523.3	1,699.6	1,566.0	1,418.0	1,418.0	1,418.0	1,418.0	1,466.5	1,519.0
Accounts Receivable	64.0	44.0	42.0	47.2	57.1	51.4	39.5	49.8	39.7	55.6	127.7	47.8	32.7	32.7	32.7	32.7	33.8	35.1
Vendor Accounts Receivable	153.2	153.2	114.9	76.6	38.3	-	-	-	-	-	-	-	-	-	-	-	-	-
Pharmacy Receivables	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Pharmacy Scripts	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0	27.0
Accounts Payable	166.0	274.7	338.3	323.7	218.8	318.0	361.8	401.9	463.2	327.6	483.5	641.7	409.6	409.6	477.8	551.6	634.1	659.4
Accounts Payable Days		10	13	15	18	20	32	32	32	32	32	32	32	32	37	42	45	45
SHS Deferred Acquisition Cost	352.7	334.6	317.4	301.5	284.2	267.9	251.4	234.9	218.6	203.2	186.9	170.6	154.3	154.3	53.7	14.9	7.5	-
SHS Unearned Revenue	950.3	908.3	866.3	824.3	782.3	740.3	698.3	656.3	614.3	572.3	530.3	488.3	446.3	446.3	177.5	57.5	28.7	-

1. Represents forecast for period ending balance; working capital under further diligence

EXHIBIT D

Subject to Material Change

Wind Down Recoveries

January 14th 2019

SEARS HOLDINGS

Wind Down Executive Summary

- **With assistance from its professionals, the Company has prepared wind-down recoveries showing a twelve-month orderly liquidation commencing 1/14/19**
  - The preliminary wind-down budget assumes that all assets are orderly liquidated in-place, including general merchandise inventory and real estate. Self-supporting business units are assumed to be sold as going concerns pursuant to section 363 of the bankruptcy code
  - The analysis is on a consolidated basis for the Company
  - At 1/14/19, we assume the Company will:
    - Commence liquidation of all remaining inventory in the stores and distribution centers (with final GOB sales beginning on 1/21/19)
    - Reject all remaining store and DC leases, other than valuable leases, which will be monetized
    - Reject all remaining non-essential contracts
    - Reduce management and staff to the minimum necessary to liquidate the collateral and perform transition services
    - Sell or monetize all remaining encumbered and unencumbered assets on a non-going concern basis
  - Substantial funding for the wind-down is provided by:
    - The gross proceeds from GOB sales of merchandise inventory. As this inventory is sold, expenses related to the inventory liquidation are deducted from proceeds, resulting in an assumed net orderly liquidation inventory value to the estate of ~90%
    - The first $240mm of previously unencumbered asset sale proceeds realized (which are segregated into a separate account), after which previously unencumbered asset sale proceeds are used to repay the $350mm Junior DIP in full; after the Junior DIP has been repaid in full, additional asset proceeds are used to pay administrative expenses and unsecured creditors
    - The imposition of a 4% charge on encumbered assets sold throughout the case pursuant to 506(c) of the Bankruptcy code, with the exception of the first lien and prepetition ABL collateral (including non-insider portions of the FILO and Citi L/C), and Junior DIP collateral, due to the 506(c) waivers granted to these lenders solely in their capacity as DIP lenders
    - Excess proceeds (proceeds above lien value) from sales of encumbered collateral
- **Prior to 1/14/19, the Company is assumed to operate in the ordinary course while transitioning from a 505 to 425 store footprint**

Key Assumptions in Wind Down Recoveries

- **Operating Receipts**
  - Cash receipts are assumed to be generated through the following channels during the wind-down period:
    - Sales of merchandise in the normal course in the weeks leading up to the GOBs
    - Continued service revenues (direct-to-consumer repair services, B2B repair, warranty commissions)
    - Continued non-operating receipts (pass-through and non-pass-through) such as Citi credit card accrued interest sharing, insurance proceeds, dividends from foreign subsidiaries and litigation recoveries
    - Asset sales including both encumbered and unencumbered collateral
  - Same-store sales
    - Analysis assumes negative 15% same-store sales for all stores until the final GOB sales begins on 1/21/19
    - Stores are assumed to maintain a 29% gross margin throughout the projection period, excluding GOBs, which are assumed to run at a net negative margin resulting in an ~90% Net Orderly Liquidation Value
    - All sales shown net of taxes, including sales taxes, pass-through, and royalties
  - The wind-down recoveries assumes 4 waves of GOBs
    - Wave 1: 142 Stores beginning 10/28/18 ending 1/6/19
    - Wave 2: 40 Stores beginning 11/18/18 ending 1/26/19
    - Wave 3: 80 Stores starting on 1/3/2019
    - Wave 4: 425 Stores starting on 1/21/2019
  - Other Inflows
    - Minimal PA sales during GOB ($200k per week)
    - Negative 15% YoY declines in Other Revenues, including Service Revenues
- **Operating Disbursements**
  - COGS Disbursements
    - Merchandise vendors assumed to be primarily on cash-in-advance terms with 4-day average shipping time in the period leading up to the wind-down with some merch AP and non-merch AP based post-filing actuals;
      - Outstanding merchandise AP is paid down out during the case
    - Following the transition to the wind-down mode, no additional merchandise disbursements are made (last week of disbursements assumed to be the week ending 1/6/19) and merchant teams are immediately rationalized other than a small number of key employees to oversee vendor relations as the remaining on order inventory is shipped to the stores

Key Assumptions in Wind Down Recoveries (cont'd)

- **Operating Disbursements (Continued)**
  - SG&A Disbursements
    - Assumes all dark store leases are rejected immediately (Company rejected 234 leases on 10/16/18) and GOB leases are rejected at the end of the GOB sales period; as the last set of GOBs is projected to run from the week ending 1/26/19 to the week ending 4/13/19, lease payments would be made for March and rejected in April
    - Immediate RIF of non-core; non-key personnel beginning 1/15/19 – 60 days of WARN following RIF announcement
    - Uses the Company's detailed Payroll, Benefits, Non-Merch and Tax projection to project cost
      - Assumes logistics costs are right-sized to reflect lower score count
    - GOB store payroll and other expenses are removed at the end of the GOB sales
      - GOBs expected to last 11 weeks in line with historical actuals
    - Capex assumes historical levels of maintenance with reductions in line with store closures
- **Other Disbursements**
  - Assumes $10mm of utility deposits paid, and are subsequently forfeit during the wind-down
  - Assumes no additional spend on critical vendor payments during the post-petition period
  - Accrued professional fees estimated based on current carve out reserve amount
    - After case begins to wind down, professional fees drop to an eventual monthly run rate of ~$5mm
    - Professional fees (full projected pipeline to 1/15/19 + general carve-out + success fees) accrued in the carveout reserve until the wind-down begins; fees then paid for by the liquidation of the first lien collateral after the ABL, non-insider FILO and non-insider Citi L/C have been fully amortized
  - Assumes total severance of $41mm through December 2019 (exclusive of WARN notice costs)
- **Junior DIP**
  - Starting balance of $175mm Junior DIP, which is pro forma to reflect $75mm balance as of 1/5/19 plus $100mm draw on 1/10/19
    - Junior DIP facility assumed to have a lien junior only to the First Lien DIP facility on prepetition unencumbered collateral other than specified collateral; on specified collateral, the Junior DIP liens are pari passu with the First Lien DIP facility after the first $240mm of proceeds have gone to fund the earlier of a) the wind-down reserve or b) the wind-down of business operations
      - Interest Expense of L+1,000

Key Assumptions in Wind Down Recoveries (cont'd)

- **Unencumbered Asset Values**
  - Credit Card Tort Claim: Assumes $35mm
  - Unencumbered Receivables: Assumes $63mm, estimated using 25% recovery on $251mm book value
  - Sears Auto Centers (SAC): Assumed to be immediately liquidated simultaneously with the stores, with proceeds reflected in GOB recoveries – no going concern value
  - Includes actual sale of SRAC MTNs for net proceeds of approximately $81mm, which is included in the wind-down reserve
  - Monark: No value assumed
  - Net Operating Losses: No value assumed
  - Initial estimates of the following assets used per consultation with Lazard
    - Sears Home Improvement: $45mm
    - Sears Parts Direct: $60mm
    - Sears Service Contracts: $80mm
    - TSA modeled in place for all going concern assets such that any and all costs incurred by wind-down entity are assumed to be passed through directly to the purchaser
- **Unencumbered Real Estate Values**
  - Recoveries assumes $561mm net of transaction costs
  - Values for unencumbered real estate updated to incorporate JLL appraisals received on 1/11/19
  - Excludes values for indications of interest on unencumbered real estate received to date, which totals in excess of $350mm
- **Encumbered Asset Values**
  - Sparrow real estate excludes from analysis
  - Dove real estate assumed to be sold at 70% of dark value and incur a 6% broker fee
  - IPGL GL real estate assumed to be sold at 70% of dark value and incur a 6% broker fee
  - IPGL IP collateral assumed to be sold for $50mm, which represents ~15% of the low-end estimate of distressed fair market value of $345mm as stated in the Ocean Tomo appraisal document dated 1/12/18
- **Kenmore and Diehard**
  - Excluded from the analysis
  - Excludes asserted KCD Royalty administrative claim of $112mm
- **Excludes any recoveries for avoidance actions and any potentially asserted claims against ESL**
- **Excludes any potential going concern value under one or more plans of reorganization including potential reorganization plans involving Sears Home Services, Innovel, and other business units, as well as attendant tax attributes distributed to creditors**

Certain assumptions in this document may be subject to material change, including:

- **Go-forward financial performance of the store base**
- **Go-forward financial performance of the non-store businesses**
- **Feasibility and timing of SG&A reductions**

- **Assets**
  - Certain island stores and the Guam stores may be sold as going concern stores which would change recoveries on those assets
  - Carry costs and timing of real estate liquidations
    - The analysis does not include real estate related expenses past the end of GOB periods for potential additional time and carrying costs that may be required to sell real estate assets
  - This document excludes all avoidance action recoveries and any recoveries for litigation related to prepetition transactions
  - Assumes no proceeds from collateral charges are paid to the estate from the Sparrow collateral

- **Claims**
  - 503(b)(9) and GUC claims as of the petition date are estimated by SHC; subject to change based on further inventory receipt reconciliation
  - The initial estimate of the size of the general unsecured claim pool may change materially
  - WARN, severance, and PTOs costs associated with RIFs occurring past 11/15/18 are based on average salary and benefits of employees, and will change as employees subject to future RIFs are finalized

- **PBGC Claim**
  - This analysis does not reflect any view or estimate regarding a) the size of the PBGC claim, b) the priority of the PBGC claim, or c) any proceeds associated with the liquidation or transfer of securities held by the PBGC
    - The PBGC is likely to have a significant unsecured claim, which is excluded from this analysis
    - The Company is still performing diligence on the plan termination claim

Creditor Recovery Matrix

Wind-down / Orderly Liquidation (Debt and Other Starting Balances As of 1/5/2019)

Creditor Recovery Matrix

($ in millions)		Remaining Assets								
Creditors	**Gross Claim[1] as of 1/5/19**	**1st Lien Collateral**	**Jr. DIP Collateral (Previously Unencumbered)**	**Sparrow R.E**	**Dove R.E.**	**IP/GL Collateral**	**Wind-down Reserve**	**Carve-Out**	**$ Recovery**	**% Recovery**
Admin and Other Priority Claims	$1,405	($551)	($500)	–	($19)	($7)	($240)	($89)	$1,405	*100%*
DIP ABL [2]	894	(894)	–	–	–	–	–	–	894	*100%*
Junior DIP [3]	175	–	(175)	–	–	–	–	–	175	*100%*
FILO (1.5)	125	(125)	–	–	–	–	–	–	125	*100%*
Citi LC Facility (1.75)	271	(271)	–	–	–	–	–	–	271	*100%*
Adequate Protection - 507(b)[4a]	331	(136) [4b]	–	–	–	–	–	–	136	*41%*
2nd Lien Line of Credit Loans	570	–	–	–	–	–	–	–	–	–
ESL 2nd Lien Term Loan (PIK)	320	–	–	–	–	–	–	–	–	–
2nd Lien Notes (PIK)	175	–	–	–	–	–	–	–	–	–
2nd Lien Notes (2.5; Cash)	89	–	–	–	–	–	–	–	–	–
Dove Loans	831	–	–	–	(429)	–	–	–	429	*52%*
Sparrow Loans [5]	NA	–	–	–	–	–	–	–	NA	*NA*
GL / IP Loan	231	–	–	–	–	(159)	–	–	159	*69%*
Total Secured Debt / Claims	**$5,417**	**($1,976)**	**($675)**	**–**	**($448)**	**($166)**	**($240)**	**($89)**	**$3,594**	***66%***
Unsecured and Deficiency Claims [6]	5,864	–	–	–	–	–	–	–	–	–
Total Unsecured Debt / Claims	**$5,864**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Notes:

(1) Gross claim does not mean such claim is allowed, unless allowed pursuant to a bakruptcy court order or otherwise

(2) Pro forma balance as of 1/5/19. Company has requested $100mm Jr. DIP draw for week ending 1/12/19 which would reduce the pro forma ABL balance to $894mm.

(3) Pro forma balance as of 1/5/19. Company has requested $100mm Jr. DIP draw for week ending 1/12/19 which will increase the Jr. DIP balance to $175mm.

(4a) Includes $331mm of claims under section 507(b) of the Bankruptcy Code for diminution in the value of second-lien collateral are shown based on advice from Weil. The ultimate value of these claims could vary materially given a number of factors including the use going concern or liquidation values, inclusion or exclusion of certain administrative costs such as professional fees that benefit from the Carve-Out and charges and the ultimate validity of the second-lien liens and claims. In addition, the validity and amount of such diminution claims is expected to be a disputed among the parties, including the debtors.

(4b) Recovery takes into account disputed nature of claim

(5) Sparrow entities are non-debtors and excluded from analysis.

(6) Draft estimate of gross liability per Deloitte of $3.4bn, plus ~$1bn of PA Liability, plus deficiency claims of ~$1.8bn.

EXHIBIT E

Preliminary Draft; Subject to Material Change

Discussion Materials: Wind-Down / ESL Bid

January 12th 2019

SEARS HOLDINGS

[Confidential; Prepared at the Request of Counsel; Preliminary Draft]

Wind-down Executive Summary

- **With assistance from its professionals, the Company has prepared wind-down recoveries showing a twelve-month orderly liquidation commencing 1/14/19**
  - The preliminary wind-down budget assumes that all assets are orderly liquidated in-place, including general merchandise inventory and real estate. Self-supporting business units are assumed to be sold as going concerns pursuant to section 363 of the bankruptcy code
  - The analysis is on a consolidated basis for the Company
  - At 1/14/19, we assume the Company will:
    - Commence liquidation of all remaining inventory in the stores and distribution centers (with final GOB sales beginning on 1/21/19)
    - Reject all remaining store and DC leases, other than valuable leases, which will be monetized
    - Reject all remaining non-essential contracts
    - Reduce management and staff to the minimum necessary to liquidate the collateral and perform transition services
    - Sell or monetize all remaining encumbered and unencumbered assets on a non-going concern basis
  - Substantial funding for the wind-down is provided by:
    - The gross proceeds from GOB sales of merchandise inventory. As this inventory is sold, expenses related to the inventory liquidation are deducted from proceeds, resulting in an assumed net orderly liquidation inventory value to the estate of ~90%
    - The first $240mm of previously unencumbered asset sale proceeds realized (which are segregated into a separate account), after which previously unencumbered asset sale proceeds are used to repay the $350mm Junior DIP in full; after the Junior DIP has been repaid in full, additional asset proceeds are used to pay administrative expenses and unsecured creditors
    - The imposition of a 4% charge on encumbered assets sold throughout the case pursuant to 506(c) of the Bankruptcy code, with the exception of the first lien and prepetition ABL collateral (including non-insider portions of the FILO and Citi L/C), and Junior DIP collateral, due to the 506(c) waivers granted to these lenders solely in their capacity as DIP lenders
    - Excess proceeds (proceeds above lien value) from sales of encumbered collateral
- **Prior to 1/14/19, the Company is assumed to operate in the ordinary course while transitioning from a 505 to 425 store footprint**

[Confidential; Prepared at the Request of Counsel; Preliminary Draft]

Key Assumptions in Wind-down Recoveries

- **Operating Receipts**
  - Cash receipts are assumed to be generated through the following channels during the wind-down period:
    - Sales of merchandise in the normal course in the weeks leading up to the GOBs
    - Continued service revenues (direct-to-consumer repair services, B2B repair, warranty commissions)
    - Continued non-operating receipts (pass-through and non-pass-through) such as Citi credit card accrued interest sharing, insurance proceeds, dividends from foreign subsidiaries and litigation recoveries
    - Asset sales including both encumbered and unencumbered collateral
  - Same-store sales
    - Analysis assumes negative 15% same-store sales for all stores until the final GOB sales begins on 1/21/19
    - Stores are assumed to maintain a 29% gross margin throughout the projection period, excluding GOBs, which are assumed to run at a net negative margin resulting in an ~90% Net Orderly Liquidation Value
    - All sales shown net of taxes, including sales taxes, pass-through, and royalties
  - The wind-down analysis assumes 4 waves of GOBs
    - Wave 1: 142 Stores beginning 10/28/18 ending 1/6/19
    - Wave 2: 40 Stores beginning 11/18/18 ending 1/26/19
    - Wave 3: 80 Stores starting on 1/3/2019
    - Wave 4: 425 Stores starting on 1/21/2019
  - Other Inflows
    - Minimal PA sales during GOB ($200k per week)
    - Negative 15% YoY declines in Other Revenues, including Service Revenues
- **Operating Disbursements**
  - COGS Disbursements
    - Merchandise vendors assumed to be primarily on cash-in-advance terms with 4-day average shipping time in the period leading up to the wind-down with some merch AP and non-merch AP based post-filing actuals;
      - Outstanding merchandise AP is paid down out during the case
    - Following the transition to the wind-down mode, no additional merchandise disbursements are made (last week of disbursements assumed to be the week ending 1/6/19) and merchant teams are immediately rationalized other than a small number of key employees to oversee vendor relations as the remaining on order inventory is shipped to the stores

[Confidential; Prepared at the Request of Counsel; Preliminary Draft]

Key Assumptions in Wind-down Recoveries (cont'd)

- **Operating Disbursements (Continued)**
  - SG&A Disbursements
    - Assumes all dark store leases are rejected immediately (Company rejected 234 leases on 10/16/18) and GOB leases are rejected at the end of the GOB sales period; as the last set of GOBs is projected to run from the week ending 1/26/19 to the week ending 4/13/19, lease payments would be made for March and rejected in April
    - Immediate RIF of non-core; non-key personnel beginning 1/15/19 – 60 days of WARN following RIF announcement
    - Uses the Company's detailed Payroll, Benefits, Non-Merch and Tax projection to project cost
      - Assumes logistics costs are right-sized to reflect lower score count
    - GOB store payroll and other expenses are removed at the end of the GOB sales
      - GOBs expected to last 11 weeks in line with historical actuals
    - Capex assumes historical levels of maintenance with reductions in line with store closures
- **Other Disbursements**
  - Assumes $10mm of utility deposits paid, and are subsequently forfeit during the wind-down
  - Assumes no additional spend on critical vendor payments during the post-petition period
  - Accrued professional fees estimated based on current carve out reserve amount
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  - Assumes total severance of $41mm through December 2019 (exclusive of WARN notice costs)
- **Junior DIP**
  - Starting balance of $175mm Junior DIP, which is pro forma to reflect $75mm balance as of 1/5/19 plus $100mm draw on 1/10/19
    - Junior DIP facility assumed to have a lien junior only to the First Lien DIP facility on prepetition unencumbered collateral other than specified collateral; on specified collateral, the Junior DIP liens are pari passu with the First Lien DIP facility after the first $240mm of proceeds have gone to fund the earlier of a) the wind-down reserve or b) the wind-down of business operations
      - Interest Expense of L+1,000

[Confidential; Prepared at the Request of Counsel; Preliminary Draft]

Key Assumptions in Wind-down Recoveries (cont'd)

- **Unencumbered Asset Values**
  - Credit Card Tort Claim: Assumes $35mm
  - Unencumbered Receivables: Assumes $63mm, estimated using 25% recovery on $251mm book value
  - Sears Auto Centers (SAC): Assumed to be immediately liquidated simultaneously with the stores, with proceeds reflected in GOB recoveries – no going concern value
  - Includes actual sale of SRAC MTNs for net proceeds of approximately $81mm, which is included in the wind-down reserve
  - Monark: No value assumed
  - Net Operating Losses: No value assumed
  - Initial estimates of the following assets used per consultation with Lazard
    - Sears Home Improvement: $45mm
    - Sears Parts Direct: $60mm
    - Sears Service Contracts: $80mm
    - TSA modeled in place for all going concern assets such that any and all costs incurred by wind-down entity are assumed to be passed through directly to the purchaser
- **Unencumbered Real Estate Values**
  - Recoveries assumes $561mm net of transaction costs
  - Values for unencumbered real estate updated to incorporate JLL appraisals received on 1/11/19

- **Encumbered Asset Values**
  - Sparrow real estate excludes from analysis
  - Dove real estate assumed to be sold at 70% of dark value and incur a 6% broker fee
  - IPGL GL real estate assumed to be sold at 70% of dark value and incur a 6% broker fee
  - IPGL IP collateral assumed to be sold for $50mm, which represents ~15% of the low-end estimate of distressed fair market value of $345mm as stated in the Ocean Tomo appraisal document dated 1/12/18

- **Kenmore and Diehard**
  - Excluded from the analysis
  - Excludes asserted KCD Royalty administrative claim of $111mm

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- **Go-forward financial performance of the store base**
- **Go-forward financial performance of the non-store businesses**
- **Feasibility and timing of SG&A reductions**

- **Assets**
  - Certain island stores and the Guam stores may be sold as going concern stores which would change recoveries on those assets
  - Carry costs and timing of real estate liquidations
    - The analysis does not include real estate related expenses past the end of GOB periods for potential additional time and carrying costs that may be required to sell real estate assets
  - This document excludes all avoidance action recoveries and any recoveries for litigation related to prepetition transactions
  - Assumes no proceeds from collateral charges are paid to the estate from the Sparrow collateral

- **Claims**
  - 503(b)(9) and GUC claims as of the petition date are estimated by SHC; subject to change based on further inventory receipt reconciliation
  - The initial estimate of the size of the general unsecured claim pool may change materially
  - WARN, severance, and PTOs costs associated with RIFs occurring past 11/15/18 are based on average salary and benefits of employees, and will change as employees subject to future RIFs are finalized

- **PBGC Claim**
  - This analysis does not reflect any view or estimate regarding a) the size of the PBGC claim, b) the priority of the PBGC claim, or c) any proceeds associated with the liquidation or transfer of securities held by the PBGC
    - The PBGC is likely to have a significant unsecured claim, which is excluded from this analysis
    - The Company is still performing diligence on the plan termination claim

[Confidential; Prepared at the Request of Counsel; Preliminary Draft]

Illustrative Creditor Recovery Summary
Comparison of ESL Going Concern Bid to Winddown

ESL Going Concern Bid Compared to Winddown

Claim and Distributable Value Variance

	ESL Bid					Winddown[1]					Variance		
	Claim	Recovery		Total Recovery		Claim	Recovery		Total Recovery		Claim	Total Recovery	
Claim	Amount	Cash	Non-Cash	$	%	Amount	Cash	Non-Cash	$	%	Amount	$	%
Admin and Other Priority Claims [2]	$723	$108	$467	$575	*80%*	$1,422	$1,422	–	$1,422	100%	NA	NA	NA
Cure Costs	200	–	200	200	*100%*	–	–	–	–	–	NA	NA	NA
Senior DIP ABL	950	950	–	950	*100%*	894	894	–	894	100%	NA	NA	NA
Junior DIP	350	102	230	332	*95%*	175	175	–	175	100%	NA	NA	NA
FILO (1.5)	125	–	125	125	*100%*	125	125	–	125	100%	–	–	–
Citi LC Facility (1.75)	271	–	271	271	*100%*	271	271	–	271	100%	–	–	–
Adequate Protection - 507(b)[3]	–	–	–	NA	*NA*	331	119	–	119	36%	(331)	(119)	36%
2nd Lien Line of Credit Loans	570	–	387	387	*68%*	570	–	–	–	–	–	387	68%
ESL 2nd Lien Term Loan (PIK)	320	–	30	30	*9%*	320	–	–	–	–	–	30	9%
2nd Lien Notes (PIK)	175	–	16	16	*9%*	175	–	–	–	–	–	16	9%
2nd Lien Notes (2.5; Cash)	89	–	–	–	*–*	89	–	–	–	–	–	–	–
Dove Loans	831	–	544	544	*65%*	831	429	–	429	52%	–	115	14%
Sparrow Loans	NA	–	–	NA	*NA*	NA	NA	–	NA	NA	NA	NA	NA
GL / IP Loan	231	–	231	231	*100%*	231	159	–	159	69%	–	72	31%
Total Sec. & Admin. Claims	**$4,835**	**$1,160**	**$2,501**	**$3,661**	***76%***	**$5,434**	**$3,594**	**$--**	**$3,594**	**66%**	**($331)**	**$502**	**NA**
Protection Agreement Liability	1,009	–	1,009	1,009	*100%*	–	–	–	–	NA	$1,009	$1,009	100%
SYW Points and Gift Cards	81	–	81	81	*100%*	–	–	–	–	NA	81	81	100%
Unsecured Claims Incl. Deficiency Claims	4,420	–	–	–	–	5,881	–	–	–	–	(1,461)	–	–

Note: Claims under section 507(b) of the Bankruptcy Code for diminution in the value of second-lien collateral are shown based on advice from Weil. The ultimate value of these claims could vary materially given a number of factors including the use of going concern or liquidation values, inclusion or exclusion of certain administrative costs such as professional fees that benefit from the Carve-Out and the ultimate validity of the second-lien liens and claims. In addition, the validity and amount of such diminution claims is expected to be a disputed among the parties.

1) Detailed analysis and assumptions on page 8. Recoveries shown are in cash. Debt and other starting balances as of 1/5/2019.
2) Company cannot confirm a plan unless all admin claims are paid in cash, in full, at the time of plan effectiveness.
3) Based on historical NOLV.

[Confidential; Prepared at the Request of Counsel; Preliminary Draft]

Creditor Recovery Matrix

Wind-down / Orderly Liquidation (Debt and Other Starting Balances As of 1/5/2019)

Creditor Recovery Matrix

($ in millions) — Remaining Assets

Creditors	Gross Claim as of 1/5/19	1st Lien Collateral	Jr. DIP Collateral (Previously Unencumbered)	Sparrow R.E	Dove R.E.	IP/GL Collateral	Wind-down Reserve	Carve-Out	$ Recovery	% Recovery
Admin and Other Priority Claims	$1,422	($568)	($500)	–	($19)	($7)	($240)	($89)	$1,422	*100%*
DIP ABL [(1)]	894	(894)	–	–	–	–	–	–	894	*100%*
Junior DIP [(2)]	175	–	(175)	–	–	–	–	–	175	*100%*
FILO (1.5)	125	(125)	–	–	–	–	–	–	125	*100%*
Citi LC Facility (1.75)	271	(271)	–	–	–	–	–	–	271	*100%*
Adequate Protection - 507(b)[(3)]	331	(119)	–	–	–	–	–	–	119	*36%*
2nd Lien Line of Credit Loans	570	–	–	–	–	–	–	–	–	–
ESL 2nd Lien Term Loan (PIK)	320	–	–	–	–	–	–	–	–	–
2nd Lien Notes (PIK)	175	–	–	–	–	–	–	–	–	–
2nd Lien Notes (2.5; Cash)	89	–	–	–	–	–	–	–	–	–
Dove Loans	831	–	–	–	(429)	–	–	–	429	*52%*
Sparrow Loans [(4)]	NA	–	–	–	–	–	–	–	NA	*NA*
GL / IP Loan	231	–	–	–	–	(159)	–	–	159	*69%*
Total Secured Debt / Claims	**$5,434**	**($1,976)**	**($675)**	**–**	**($448)**	**($166)**	**($240)**	**($89)**	**$3,594**	***66%***
Unsecured and Deficiency Claims [(5)]	5,881	–	–	–	–	–	–	–	–	–
Total Unsecured Debt / Claims	**$5,881**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Notes:

(1) Pro forma balance as of 1/5/19. Company has requested $100mm Jr. DIP draw for week ending 1/12/19 which would reduce the pro forma ABL balance to $894mm.

(2) Pro forma balance as of 1/5/19. Company has requested $100mm Jr. DIP draw for week ending 1/12/19 which will increase the Jr. DIP balance to $175mm.

(3) Includes $331mm of claims under section 507(b) of the Bankruptcy Code for diminution in the value of second-lien collateral are shown based on advice from Weil. The ultimate value of these claims could vary materially given a number of factors including the use going concern or liquidation values, inclusion or exclusion of certain administrative costs such as professional fees that benefit from the Carve-Out and charges and the ultimate validity of the second-lien liens and claims. In addition, the validity and amount of such diminution claims is expected to be a disputed among the parties.

(4) Sparrow entities are non-debtors and excluded from analysis.

(5) Draft estimate of gross liability per Deloitte of $3.4bn, plus ~$1bn of PA Liability, plus deficiency claims of ~$1.8bn

EXHIBIT F

PRIVILEGED AND CONFIDENTIAL – PREPARED AT THE REQUEST OF COUNSEL
PRELIMINARY DRAFT – SUBJECT TO MATERIAL CHANGE

CONFIDENTIAL

16 JANUARY 2019

DISCUSSION MATERIALS

Project Blue

LAZARD M-III PARTNERS Weil

PRIVILEGED AND CONFIDENTIAL – PREPARED AT THE REQUEST OF COUNSEL
PRELIMINARY DRAFT – SUBJECT TO MATERIAL CHANGE

Additional Value Required

($ in millions)

The following summarizes the administrative and other priority claims based on M-III claim schedule and the proposed ask of ESL, sources of value available to address these claims and the incremental value required (other than for settlement and release)

Admin & Other Priority Claims Uses of Value		Less: ESL Value [1]	Remaining Claims
Admin			
503(b)(9)	$173	($139)	$34
Accounts Payable	196	(166)	30
Severance & WARN	20	(20)	--
Employee Claims	8	(8)	--
Franchise Taxes	3	--	3
Property Taxes [4]	135	(134)	1
RemainCo Winddown Costs	80	--	80
Total Admin	**$615**	**($467)**	**$148**
Other			
ABL DIP	$950	($850)	$100
Junior DIP	350	(350)	--
Professional Fees	108	--	108
Cure Costs	200	(200)	--
Transfer Taxes (Purchase Price Deduction)	19	(19)	--
Mechanics' Liens (Purchase Price Deduction)	4	(4)	--
Expense Reimbursement (Purchase Price Deduction)	--	--	--
DIP Floor Adjustment (Purchase Price Deduction)	--	--	--
UCC Release Cash Consideration	35	(35)	--
Total Other	**$1,665**	**($1,458)**	**$207**
Total	**$2,281**	**($1,925)**	**$356**

Additional Value Required after Application of Other Sources of Value	
Additional Value Required	**$356**
Less: Company Cash Available at Close [5]	(50)
Less: Company Cash Available Post Close [5]	(29)
Less: Professional Fee Carve-out Account	(108)
Less: MTN Sale Proceeds	(81)
Less: U-Haul Sale Proceeds	(7)
Less: Insurance Proceeds	(13)
Less: SHIP Security Deposit	(6)
Pro Forma Additional Value Required [2]	**$62**
Memo:	
KCD Royalties [3]	$112
Adjusted Pro Forma Additional Value Required	**$173**
Memo: Required Deposit	**$120**

Source: M-III projection of administrative and other priority claims; ESL proposal.
Note: Does not include any required payments on account of releases other then for credit bid.
1. Includes value provided by ESL via assumption of liabilities and/or debt paydown.
2. Requested Administrative Claim Backstop does not include amounts necessary for settlement and release but is inclusive of Restructuring Subcommittee support for Court order to allow ESL to credit bid claims included in ESL bid.
3. Assumes $112 million of post-petition royalties owed to KCD based on preliminary and ongoing analysis conducted by M-III; figures subject to change.
4. Property Taxes estimate is preliminary and subject to further review.
5. Company cash assumed to include $50 million available at close and $29 million available post close. Additional detail in appendix.

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PRELIMINARY DRAFT – SUBJECT TO MATERIAL CHANGE

Additional Value Required – Illustrative Allocation

($ in millions)

The following summarizes the administrative and other priority claims based on the M-III claim schedule and the ESL bid, sources of value available to address these claims and the incremental value required (other than for settlement and release)

- **For illustrative purposes, the schedule below allocates available sources of value to specific claims based on restrictions on the use of each asset**
  - Allocation of cash and winddown reserve amounts is purely illustrative

Admin & Other Priority Claims		Less: ESL Value [1]	Remaining Claims	Allocation of Other Sources [2]			Remaining Claims / (Surplus)
				Cash at Close [6]	Carve Out	Winddown & Other [3]	
Admin							
503(b)(9)	$173	($139)	$34	$–	$–	($34)	$–
Accounts Payable	196	(166)	30	–	–	(30)	–
Severance & WARN	20	(20)	–	–	–	–	–
Employee Claims	8	(8)	–	–	–	–	–
Franchise Taxes	3	–	3	–	–	(3)	–
Property Taxes [4]	135	(134)	1	–	–	(1)	–
RemainCo Winddown Costs	80	–	80	–	–	(68)	12
Total Admin	**$615**	**($467)**	**$148**	**$–**	**$–**	**($136)**	**$12**
Other							
ABL DIP [2]	$950	($850)	$100	($50)	$–	$–	$50
Junior DIP	350	(350)	–	–	–	–	–
Professional Fees	108	–	108	–	(108)	–	–
Cure Costs	200	(200)	–	–	–	–	–
Transfer Taxes (Purchase Price Deduction)	–	–	–	–	–	–	–
Mechanics' Liens (Purchase Price Deduction)	–	–	–	–	–	–	–
Expense Reimbursement (Purchase Price Deduction)	–	–	–	–	–	–	–
DIP Floor Adjustment (Purchase Price Deduction)	–	–	–	–	–	–	–
UCC Release Cash Consideration	35	(35)	–	–	–	–	–
Total Other	**$1,642**	**($1,435)**	**$207**	**($50)**	**($108)**	**$–**	**$50**
Total	**$2,258**	**($1,902)**	**$356**	**($50)**	**($108)**	**($136)**	**$62**
Memo: Total Incl. KCD Claim ($112 mm) [5]	*$2,369*	*($1,902)*	*$467*	*($50)*	*($108)*	*($136)*	*$173*

Source: M-III projection of administrative and other priority claims; ESL proposal.
Note: Does not include any required payments on account of releases other than for credit bid.
1. Includes value provided by ESL via assumption of liabilities and/or debt paydown.
2. ABL DIP balance assumed to be $950 at close.
3. Allocation of Winddown Reserve amount is illustrative. Other includes sources of value available post-closing; e.g., utility deposit release.
4. Property Taxes estimate is preliminary and subject to further review.
5. Assumes $112 million of post-petition royalties owed to KCD based on preliminary and ongoing analysis conducted by M-III; figures subject to change.
6. Company cash assumed to include $50 million available at close and $29 million available post close. Additional detail in appendix.

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Incremental Sources of Value & Risks

($ in millions)

The following provides an analysis of incremental sources of value the Company and ESL could potentially contribute to cover the administrative claim shortfall; as well as risks to the proceeds assumed to be received by the Company

Incremental Sources of Value and Risks to Realization

	Incremental Sources of Value	Availability At Close	Availability Post-Close	Total	Notes
Potential Incremental Sources	Residual Value in GOB	$ --	$43	$43	Based on M-III analysis
	Additional Budget Savings	8	--	8	Based on M-III analysis
	Reduction in Winddown Cost	[20]	--	[20]	Reduction due to inclusion of additional assets in ESL bid
	First Data	28	--	28	Reserve established prior to bankruptcy to offset customer returns
	Disputed Accounts Payable	15	--	15	Assumes 50% of disputed accounts payable
	Total	**$71**	**$43**	**$114**	
	Additional ABL Reduction	$39	$ --	$39	Based on 2/16/19 Close; excludes $8 million of outperformance accounted for above
	Total at Low ABL Estimate	**$110**	**$43**	**$153**	Assumes incremental value of ~$47 million through operational adjustments and budget variance
Risks to Proceeds	Cash	(25)	(15)	(40)	Assumes company is only able to recover 50% of projected cash
	SHIP Deposit	--	(6)	(6)	Reflects risk that estate does not recover SHIP deposit
	Other	TBD	TBD	TBD	
	Total	**($25)**	**($21)**	**($46)**	
Net Total		$46	$23	$69	
Net Total at Low ABL Estimate		**$85**	**$23**	**$108**	Assumes incremental value of ~$47 million through operational adjustments and budget variance

See appendix for additional detail on potential actions and savings which could reduce the DIP balance at close vis-à-vis baseline estimate

Source: M-III projections; company estimates; 3rd party bids.

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Appendix

Additional Value Required Detail

($ in millions)

The following provides supporting schedules for the ABL DIP balance and other sources of value assumed in the analysis on the prior page

- **Based on M-III estimates and projections**

ABL DIP Detail		Notes
Projected ABL DIP Balance (2/9/19)	$992	Company / M-III projected DIP balance per latest forecast
Adjustment for Week 49 Actuals	(20)	Update to include Week 49 positive variance
Reduction in Critical Vendor Payments	(20)	Assumed reduction in critical vendor payments vs. budget
KEIP / KERP	(10)	~$25 million is forecasted through closing. Acceleration of the remaining payments is TBD
Other	8	Adjustment
PF ABL DIP Balance (2/9/19)	**$950**	Pro forma ABL DIP balance
Other Sources of Value Detail		
Carve Out		
Professional Fee Carve Out Account	**$108**	Projected Carve Out at closing
Winddown Reserve		
MTN Sale	$81	
Insurance Proceeds	13	
U-Haul Proceeds	7	
SHIP Security Deposit	6	Assumes close of SHIP sale prior to close of ESL transaction.
Total Winddown Reserve	**$107**	

Source: M-III projections; company estimates; 3rd party bids.

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Additional Value Required Detail – Company Cash

($ in millions)

The following provides further detail into the Company's projected cash balance at close identified by M-III

Company Cash Schedule

Source	Available: At Close	Available: Post-Close	Total	Notes
Store Cash [1]	$15.0	$ --	$15.0	Cash in registers based on M-III expectations; (excludes assumed $2 million for GOB stores)
Cash in Transit	15.0	15.0	30.0	$33 million total, assumes $15 million available at close and $15 million post close
Regional Bank Cash	10.0	4.0	14.0	$14 million in regional banks; assumes $10 million available at close
Subsidiary Businesses	3.0	–	3.0	Cash in Monark, Innovel, SHS and other subsidiary businesses
Israel Cash	7.0	–	7.0	Based on M-III estimate of $8.5 million of cash in Israeli Banks; assumes $1.5 million trapped
Utility Deposit	–	10.0	10.0	Assumes Utility deposit released 45 days after close
Estimated Total Available	**$50.0**	**$29.0**	**$79.0**	
Trapped / Unavailable Cash	$15.0	$ --	$15.0	Includes cash in India, trapped cash, accounting adjustments and other cushion
Total Avail. & Unavail. Cash	**$65.0**	**$29.0**	**$94.0**	

Source: M-III analysis.
1. *Company cash in registers to be purchased by buyer.*

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PRELIMINARY DRAFT – SUBJECT TO MATERIAL CHANGE

Incremental Sources of Value & Risks – ABL Detail

($ in millions)

The following provides further detail into the ABL projections and potential avenues to reduce the balance at close identified by M-III

Closing Senior DIP and 1L Balance Sensitivity

Case	Low	Mid	Low	Mid
Date	2/8/2019	2/8/2019	2/16/2019	2/16/2019
Senior DIP & 1L Balance at Closing	**$992**	**$992**	**$1,027**	**$1,027**
Adjustments / (Risks)				
Week Ending 1/12/19 Positive Cash Variance	$20	$20	$20	$20
Disbursements - Critical Vendor Payments	20	20	20	20
Inflows - Normal Course Net Merchandise Receipts	–	18	–	22
Inflows - Other Cash Receipts	–	15	–	20
Disbursements - Other SG&A	–	10	–	12
Disbursements - Merchandise Disbursements	–	15	–	20
Disbursements - KEIP / KERP	10	10	10	10
Total Adjustments / (Risks)	**$50**	**$108**	**$50**	**$124**
Adjusted Senior DIP & 1L Balance at Closing	**$942**	**$884**	**$977**	**$903**
Variance from Assumed Senior DIP Balance of $950mm	**$8**	**$66**	**($27)**	**$47**

Source: M-III analysis.

EXHIBIT G

Transform Transaction - Weekly Tracking

January 25 2019

EXHIBIT
Diaz-3
1/30/19

SEARS HOLDINGS

Admin Solvency Tracker

Under the revised estimates, the Company is projecting a ($62mm) administrative shortfall; the Company has identified ~$201mm of potential mitigating items

	Admin & Other Priority Claims Uses of Value							
	Original Estimate	ESL Assumed Liabilities	Original Gap	Change in Estimates	Identified Favorable Variance	Revised Gap	Potential Mitigating Items	Notes
Claims								
503(b)9	$ 173	$ (139)	$ (34)	1	$ -	$ (33)	$ 5	(1)
Accounts Payable	196	(166)	(30)	-	30	-	15	(2)
Severance & WARN	28	(28)	-	-	-	-	-	
Franchise Taxes	3	-	(3)	-	-	(3)	-	
Property Taxes	135	(135)	-	-	-	-	-	
RemainCo Winddown Costs	80	-	(80)	-	-	(80)	-	
ABL DIP	950	(850)	(100)	(29)	25	(104)	118	(3)
Junior DIP	350	(350)	-	-	-	-	-	
Professional Fees	108	-	(108)	6	-	(102)	-	(4)
Cure Costs	200	(200)	-	-	-	-	-	
Transfer Taxes (Purchase Price Deduction	19	(19)	-	-	-	-	-	
Mechanics' Liens (Purchase Price Deduction)	4	(4)	-	-	-	-	-	
UCC Release Cash Consideration	35	(35)	-	-	-	-	-	
Total	**2,281**	**(1,926)**	**(355)**	**(22)**	**55**	**(322)**	**138**	
Additional Value Identified								
Company Cash Available at Close	50	-	50	(50)	30	30	20	
Company Cash Available Post Close	29	-	29	-	-	29	-	
Professional Fee Carve-Out Account	108	-	108	(6)	-	102	-	
MTN Sale Proceeds	81	-	81	-	-	81	-	
U-Haul Sale Proceeds	7	-	7	-	-	7	-	
Insurance Proceeds	13	-	13	(8)	-	5	-	
SHIP Security Deposit	6	-	6	-	-	6	-	
GOB Inventory Post-Close	-	-	-	-	-	-	43	
Total	**294**	**-**	**294**	**(64)**	**30**	**260**	**63**	
Solvency / (Gap)			**$ (61)**	**$ (86)**	**$ 85**	**$ (62)**	**$ 201**	

Notes:

(1) Potential mitigating items reflect $5mm in opportunity identified through the application of trapped vendor credits, and mitigation of amounts owed to 503(b)(9) claimants through identified cure

(2) Offsets and mitigating items reflect $15mm-30mm in opportunity identified through managing disputed payables, reducing non-essential spend and potentially recovering pre-petition cash deposits

(3) Pipeline initiatives of $118mm relate to $25mm of operating receipts, $20mm of operating disbursements, $20mm of pro-rata february rent, $15mm of AP headroom, $10mm of critical vendor payments, $9mm of Amazon Inventory Recovery, and $14mm in First Data proceeds (50% of total possible)

(4) Revised to reflect latest professional fee estimate

Conditions to Close Summary

	Conditions to Close						
	Projected Balance at Close	Target per APA	Cushion / (Gap)	Identified Favorable Variance	Revised Cushion / (Gap)	Potential Mitigating Items	Notes
New ABL Collateral	$ 1,678	$ 1,657	$ 21	$ -	$ 21	$ 15	(1)
Specified Receivables	292	255	36	-	36	36	(2) (A)
Warranty Receivables	55	54	2	-	2	-	(A)
Prepaid Inventory	151	147	4	-	4	-	(A)
ABL DIP	954	850	(104)	-	(104)	118	(3)
Junior DIP	$ 350	$ 350	$ -	$ -	$ -	$ -	

Notes:

(1) Pipeline initiatives reflect $15mm estimated in additional borrowing base availability as a result of revised script appraisals

(2) Assumes $36mm in favorability related to credit balance negotiation and additional AR conversion to cash

(3) Pipeline initiatives of $118mm relate to $25mm of operating receipts, $20mm of operating disbursements, $20mm of pro-rata february rent, $15mm of AP headroom, $10mm of critical vendor payments, $9mm of Amazon Inventory Recovery, and $14mm in First Data proceeds (50% of total possible)

(A) In the event the Company delivers less than the target amount for these items, there will be a dollar for dollar reduction in ESL's obligation to first assume Severance liabilities, then 503(b)(9) claims. To the extent the Company delivers excess Prepaid Inventory or Warranty Receivables at close, this excess amount can be used to offset any shortfall in the other dollar for dollar.

Opportunity and Actions as of 1/25/19

	Identified Favorable Variance	Identified Opportunity	Potential Actions	Responsible Parties	Comments
RX Scripts	NA	$0 - $15mm	Script Appraisal	Rob Riecker Brian Griffith	Current borrowing base of $7.50/script, resulting in $25mm of availability. Appraisal expected 1/28
Inventory	NA	$30mm	Sale of excess inventory Transfer to GOB Reduce or cancel P.O.s Increase receiving days to 6 days per week	TJ Koreis Brian Griffith Chris Good	Inventory potentially higher in DIP budget than target $9.4mm of Amazon inventory will be brought back into inventory and has already been paid for
GOBs	NA	$43mm	Continue to harvest GOBs after close	Abacus	GOB cash remains with estate
Specified Receivables	NA	TBD	Identify specific accounts receivable that can be monetized pre or post closing: • UPS rebate ($8mm) • SHO receivable ($34mm) • Monark receivable (TBD)	Trent Bonnell Jon Boffi Chris Good Bob Phelan	Convert A/R to cash to the extent above required target Potential to use 503(b)(9) negotiation to reduce A/R Look at timing of SHO, Citi and other AR payments
503(b)(9)	NA	$5mm-$10mm	Review vendor credits Mitigate through vendor cures	Enrique Acevedo	Use critical vendor payments to reduce 503(b)(9) liability Potential to use A/R credits to offset balances
Accounts Payable	$30mm	NA	Manage AP balance based on deliverable under the APA	Jeff Butz Chris Good	Decrease operating expense Increase payables to offset DIP
Property Tax	NA	NA	Revised estimate from SHC Real Estate team for go-forward stores is approximately $60mm lower	Mike Morrie Brian Griffith	Reviewing the revised schedule provided by SHC Real Estate team
Other Assets	NA	TBD	$245mm of Other balance sheet assets	Chris Good	Other assets on the balance sheet not identified in APA
Cash	$30mm	$20mm	Speed regional cash collection ($17mm) Repatriate cash from Israel ($6mm) Store cash ($17mm) Utility deposits ($10mm) Cash from 2/8/19 sales (TBD)	Rajat Prakash Chris Good Enrique A. Naren Sinha	Working with armored carriers and regional banks to decrease the time it takes to make cash available Determining amount of cash that would come in from sales on 2/8/19
Senior DIP Balance	$25mm	$104mm	Operating Receipts ($25mm) Operating Disbursement ($20mm) Pro Rate February rent ($20mm) Critical Vendors ($10mm) Hurricane Proceeds ($5mm) Accounts payable build ($15mm) Amazon Inventory recovery ($9mm) Reduction in other AR and other assets (TBD)	Rob Riecker Naren Sinha Rajat Prakash Bob Walsh Brian Griffith Wesley Sima Chris Good	Actively managing operating disbursements and potential conservatism in SG&A forecast, as well as receipt outperformance
	NA	$14mm (up to $28mm)	First Data Proceeds	Mo Meghji	Credit card holdback release Look at other holdback release opportunities
Subtotal	**$85mm**	**$231mm**			

1/11/19 to 1/23/19 DIP Budget Bridge

DIP Budget as of: For Four Weeks Ending :	1/11/19 2/9/19	1/23/19 2/9/19	Variance 1/16 to 1/11	Commentary
Total Operating Receipts	**$512**	**$512**	**$0**	*No change*
Merch Vendors	(248)	(231)	18	*Decreased merchandise spend estimate*
Rent/Occupancy	(20)	(36)	(16)	*Paid Sparrow rent*
Payroll/Bens/Taxes	(151)	(159)	(8)	*Decreased payroll estimate*
Other SG&A Disbursements	(192)	(186)	7	*Increased other SG&A estimate*
CapEx	(4)	(4)	1	*Updated for actuals*
Total Operating Cash Flow	**($104)**	**($102)**	**$1**	
NON-OPERATING CASH FLOW				
Bankruptcy Related Disbursements	**($74)**	**($43)**	**$30**	*Removed KCD and decreased critical vendor estimate*
Cash Interest	($13)	($12)	$1	*Slight increase of interest expense*
Financing Fees	(0)	0	0	*No Change*
Professional Fees	(18)	(19)	(1)	*Revised estimate*
Intercompany Inflows	0	0	0	*No Change*
Total Other Non-Operating Disbursements	**($32)**	**($31)**	**$1**	
Net Cash Flows before Financing	**($209)**	**($176)**	**$33**	
Financing	209	169	(40)	*NA*
Net Cash Flow after Financing	**$0**	**($7)**	**($7)**	
Beginning Cash	$0	$7	$7	*NA*
Cash Flow Before Financing	(209)	(176)	33	*NA*
Financing	209	169	(40)	*NA*
Change in Carveout Account	0	0	0	*NA*
Ending Available Cash Balance	**$0**	**($0)**	**($0)**	
Beginning ABL	$976	$952	($24)	*Updated for actuals*
Draw (Paydown)	16	2	(14)	*NA*
Ending ABL	**$992**	**$954**	**($37)**	